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Canadian Retail Companies Doing Business In The Us Market: A Cultural Perspective

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CANADIAN RETAIL COMPANIES DOING BUSINESS IN THE U.S. MARKET: A CULTURAL PERSPECTIVE

by

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ABSTRACT

Over the past decade, several successful Canadian retailers have entered the United States market with mixed results. Until recently, the reasons for their success or failure had not been investigated.

This research project involved an examination of what accounted for the success or the failure of Canadian retail organizations, in the United States market, from a cultural perspective. It was designed to: (1) determine whether Canadian retail executives perceived any cultural difference to exist between Canada and the United States, and how this difference (if any) contributed to their success or failure in the U.S. market; (2) to examine the decision making processes within four Canadian retail companies who had entered the U.S., to identify factors contributing to their effectiveness or ineffectiveness; and (3) to measure cultural differences between Canadians and Americans via questionnaire. The objective of the research was to improve the effectiveness and success rate of Canadian retail companies entering the U.S. market.

Data collection consisted of two phases. In Phase 1, interviews were conducted with the top executive team members of four Canadian retailers who had entered the U.S. market, two successfully and two unsuccessfully. In addition, relevant presentations from two conferences dealing with the topic of Canadians doing business the U.S. market were transcribed. Both within-case and across-case analyses were conducted to identify cultural differences as well as factors contributing to successful or unsuccessful decision making processes for entering and operating in the U.S. market. In Phase 2, a questionnaire measuring cultural differences was mailed to the top retail companies in Canada and the U.S. The data was analyzed to determine whether there were cultural differences between Canadians and Americans.

The results from Phase 1 indicated that executives perceived cultural differences to exist between the U.S. and Canada that affected their ability to do business in the U.S. market. Factors contributing to successful decision making processes for entering and operating in the U.S. market stressed the importance of the pre-entry orientation of the decision making team. The results from Phase 2 indicated that there were statistically significant cultural differences between Canadian and American Chief Executive Officers.

To my parents,
who listened

and

To Michael,
for the magic

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CHAPTER 1 - INTRODUCTION

Over the past decade, several successful Canadian retailers have entered the United States market with mixed results. Until recently, the reasons for their success or failure had not been investigated. This has led to myths, rumours and speculations about the keys to success in the U.S. market.

To begin investigating this issue, this research project involved an examination of what accounted for the success or the failure of Canadian retail organizations, in the United States market, from a cultural perspective. Culture is defined in this research as the shared attitudes and values of the members of a country. Thus, the goal of this project was to determine whether the Canadian and U.S. cultures differed, and whether this difference (if any) contributed to the success or failure of Canadian retail companies in the U.S. market.

Much has been written in the area of international management about the importance of understanding the value system and attitude framework of the society or culture in which one is considering doing business, before making judgements or taking action. Yet, with respect to Canadians doing business in the United States, the cultural aspect has, for the most part, remained untouched by investigators. In fact, the paucity of literature on the subject, coupled with the United States' proximity and on-the-surface similarities to Canada, could lead decision makers to conclude that businesses in the the two countries should be managed in the same way.

However, while there is a great deal of economic and political interdependence between Canada and the United States, there may be a much lesser degree of cultural interdependence. "Although there are no empirical studies on this issue, most observers agree that the basic values held by most Canadians differ from those held by most Americans" (Mahant and Mount, 1984:253). Furthermore, Craig (1968:1) has stated, "It is clear that Canadians and Americans look upon the world with very different perspectives, despite close friendship and similar ways of life."

Such differences in values and outlook have been found to be an important factor influencing the business practices in a country. In a recent issue of Maclean's Magazine (July 3, 1989) the results of a survey, which polled 1,000 people in each country, revealed some interesting differences between Canadians and Americans. In one essay within the report, an author wrote,

> Even though our businessmen make bold and brash pronouncements in support of free enterprise, they don't really practise it. At the first sign of trouble, they rush to Ottawa begging for government benefits, which last year totalled $30 billion. American business is much more aggressive and ready to take risks. The fastest growing segment of the U.S. economy last year, for example, was the commercialization of space.

In the business section of this report (p.74), the following comment was made,

> Although Canada and the United States share a common language and have similar cultures, the business climate in the two countries is decidedly different: attitudes and business practices vary greatly.

Therefore, understanding the differences in the attitudes, values and behaviors of Canadians and Americans in the retail industry, could increase the success rate of Canadian companies considering expanding operations into the United States. This is the aim of this project.

OBJECTIVES

The objectives of the research were threefold. The first objective was to learn from executives in Canadian retail companies whether they perceived a cultural difference to exist between Canada and the United States, and how this difference (if any) contributed to their success or failure in the U.S. market. Second, the decision making process within four Canadian retail companies was examined to identify factors contributing to effective and ineffective decision making processes for Canadian companies entering the U.S. market. The third objective was to improve our understanding of the Canadian and American retail business cultures via questionnaire measuring various cultural dimensions. The overall objective of the research was to improve the effectiveness and success rate of Canadian retail companies entering the U.S. market.

To accomplish these objectives, the following steps were taken: First, the literature from various research fields was examined, to provide the necessary theoretical background. The literature was then integrated, to develop the model which guided the research project. Second, a two-part research design was undertaken. In Phase I, interviews were conducted in four Canadian retail companies with the members of the top management team involved in the company's expansion into the U.S. market. The purpose was to determine whether these executives perceived any differences to exist between the Canadian and American retail business cultures, and how these differences affected their performance in that market. The purpose was also to determine factors contributing to effective and ineffective decision making processes for entering the U.S. market. In Phase II, a survey was conducted in both Canada and the United States, comparing the top Chief Executive Officers in each country on a number of cultural dimensions. Finally, while culture was considered to be an important factor, it was not considered to be the only one. Therefore, these Canadian retailers and, in some cases, their American counterparts, were called upon to share their experiences, to identify other factors contributing to their performance in the U.S., and to develop the lessons they learned from these experiences. Companies with various performance levels in the U.S. were studied.

RELEVANCE OF THE TOPIC

Understanding how to compete successfully in the U.S. market is of utmost importance for Canadian businesses. With rising costs and limits to growth in Canada, many Canadian businesses are finding that they must expand into foreign countries not only to grow, but also to survive. Canada is the only major industrial power that does not have access to a major market of one hundred million or more. Therefore, gaining access to the United States could be critical for the survival of Canadian businesses. Furthermore, if Canadian companies cannot compete in the U.S. market, which is the closest, and in many ways the most similar, its chances elsewhere are reduced.

However, the experiences of Canadian retail companies have indicated, and Canadian executives have commented, that it is very difficult doing business in the United States, even though the Canadian and American cultures are similar. "To be successful in doing business in the U.S., it is important to understand the behavioral characteristics of the Americans that one is likely to encounter" (Opton and Feiler, 1984:1). To understand why they behave as they do, we must understand their underlying attitudes and values. This research was aimed at improving this understanding, and in producing guidelines for managers to improve their effectiveness and success rate in the U.S.

In addition, in the Fall of 1987 a day-long workshop was held at the National Centre for Management Research and Development, at the University of Western Ontario, on the topic: Doing Business in the United States. A number of experienced Canadian business leaders were brought together with a group of twenty academic researchers from Canadian business schools, to identify key areas of future research. The aim was to improve Canadians' performance in doing business in the United States. Canadian executives at the workshop whose companies had expanded into the U.S. market claimed that there were marked cultural differences between Canada and the United States. One example they commented on was that there was a significant difference in employee attitudes and "work ethic". The speakers generally agreed that "U.S. workers are significantly less unionized, less demanding in terms of wage levels and benefits, and "more positive towards productivity enhancement" (Leighton, 1987). The workshop culminated in an agenda of topics warranting future research. One of the key issues isolated for future research was a study comparing the values of U.S. managers versus Canadian managers (Leighton, 1987:84) -- exactly what this study addresses.

Recently, Hildebrand (1989) and Evans (1990) examined the experiences of Canadian retailers in the U.S. market from an organizational learning and strategic perspective. In both cases, the Canadian companies were faced with a very different market in the United States than they were used to in Canada. Moreover, Saffer (1989) studied the topic from a retailing perspective. He too found differences between the two markets requiring companies in each to make use of very different advertising strategies. The findings from these studies suggest that the United States and Canada are very different markets on a number of dimensions. They point to the need for further work investigating the two countries on further dimensions. This research attempts to investigate the cultural dimension.

This research was also very relevant from an academic perspective. Many have speculated on the attitude, value and behavioral differences between Canadians and Americans, but few have ever provided empirical data to support their conclusions. Instead, they appear to be based on observation, speculation or historical analyses. Thus, it is unclear whether such differences actually do exist. Thus, this research contributed toward filling several gaps currently existing in the literature.

Why the United States?

The United States was of interest for several reasons. First, the United States represented the largest and most important market in the world available for foreign direct investment (I.M.F., 1990). Successful entry into the United States could mean significant growth and profits for an organization, because the country has a large population, with a relatively high personal disposable income. In 1989, the total personal income for the U.S. population was US$ 3,725.5 billion (U.S. Department of Commerce, 1990). In addition, the country was characterized by relative economic and political stability. As a result, there has been a steadily increasing interest in the topic of doing business in the United States, by researchers and business communities, in several countries around the world.

Second, the U.S. is of particular importance to Canada. Few nations in the world are as interdependent as are Canada and the United States. From Canada's perspective, the U.S. has a significant influence on its economic health, its political situation, and its national defence. Canada's economic dependence is evidenced by the fact that over two-thirds of its trade is with the United States. In 1990, 76% of Canada's exports went to the U.S. market, while 68% of its imports came from the U.S. (Statistics Canada, 1990). Therefore, the proper management of Canada's business relationship with the U.S. is of critical importance to the country.

Furthermore, with freer trade between Canada and the United States, the two countries will become even more interdependent. As a result, it is now becoming vitally important that Canadians gain a more in-depth understanding of their North American trading partner. This means understanding how American business people think and behave, and how this differs from the way in which Canadian business people think and behave. This requires an understanding of the two cultures.

Fourth, the U.S. market presents an ultimate opportunity for Canadian businesses to expand operations into a market that is similar, in many respects, to their own. It also provides access to a buying population that is ten times the size of the Canadian population.

For the above reasons, Canadian businesses are expanding into the United States. In 1988, Canada represented the U.S.'s fourth largest direct investor, with $27.4 billion invested (U.S. Department of Commerce, 1990). The others were the U.K., Japan and the Netherlands, respectively.

Finally, in spite of the importance of the topic, there has been very little research into Canadians doing business in the United States. The investment figures mentioned above show that there have been some major Canadian successes in the country. However, there have also been some major failures.

Why the Retail Industry?

The retail industry was chosen for two reasons. First retail trade is a key component of the Canadian economy. According to Statistics Canada (1990), it provides the fourth largest percentage of Canadian Gross Domestic Production, following manufacturing, finance, insurance and real estate, and services. Drawn by more than US$ 1 trillion in annual retail sales (in 1989, sales were US$ 1,733,654 million (U.S. Department of Commerce, 1990)) Canadian retailers have attempted to expand operations into the U.S. market.

Second, over the past decade, retailing has received a lot of publicity because several leading Canadian retailers have met with disastrous results upon entering the U.S. market. A recent Toronto Star newspaper article by Demont (1989) titled, "Why Canadians bomb in U.S. retail markets" highlights the fact that the results of such ventures have been poor. Successful Canadian retailers, such as Canadian Tire Corporation and Consumers Distributors Ltd., have suffered severe losses in the U.S. market. For example, Canadian Tire lost $55 million in 1984, and $53 million in 1985, before selling the U.S. operation.

Financial information was found for eighteen of the twenty-three Canadian companies identified as having U.S. projects. Of these, seventy-eight percent had either withdrawn from the market or were struggling with sustained losses (this is presented in more detail in Chapter Five). Only two projects were able to produce long term profits; one only after implementing a successful turnaround strategy.

The poor results of Canadian retailers cannot be attributed to the retail sector because retailers in countries such as England, France, Sweden and West Germany have been successful in crossing national borders, including the U.S. For example, an article by the Commerzbank in The Economist (October 22, 1988) entitled "Successful German forays into U.S. retail sector" highlighted Germany's success; IKEA Ltd., from Sweden, has also been successful in earning profits in the U.S.

The reasons for the poor performance of Canadian retailers in the U.S. market have only recently begun to be investigated. Until now, it has been left for observers and analysts to speculate on the reasons. As a result, there are a lot of myths, speculations and rumours that may or may not be true. Thus, the retail industry represents an ideal candidate for study.

Why Culture?

In today's global market place, the importance of understanding culture has been increasingly recognized. No longer do many business executives naively ignore or discount its significance when conducting business internationally. Although not typically viewed as such, the U.S. represents an international market for Canadian businesses. Ergo, the U.S. culture should become a significant element to consider in any decisions regarding that market.

As mentioned earlier, culture is defined in this research as the shared attitudes and values of the members of a country. In this sense, attitudes and values represent culture at the individual level. Attitudes and values have been the most important concepts in the behavioral literature for several decades. Today, their centrality remains unchallenged. In fact, it is hard to think of anything social scientists might study that does not implicate attitudes and values. Furthermore, "There is a pervasive sense in the lay person and the scientist alike that our behavior is influenced by our attitudes, whereby attitude is seen as the cause and behavior is seen as the effect" (Rajecki, 1982:3). With respect to Canadians doing business in the United States, much of what business people do in each of the two countries is influenced by the culture they live in. Culture affects individual attitudes and values. Therefore, studying shared attitudes and values allows one to get at the underlying reasons for, or at the root of, the behaviors defining the culture.

ESTABLISHING A COMMON BASE FOR THE RESEARCH STUDY

Before proceeding, it is important to ensure that the reader approaches the remainder of the thesis from the same starting point as the researcher. In order to accomplish this, two things were done. First, the major concepts guiding this research were defined. Second, the bodies of literature considered relevant to the research project were outlined, defining the scope of the literature reviewed.

Conceptual Definitions

Although a great deal has been written on attitudes, values and culture, there are numerous definitions for each of these terms, and no consensus concerning their meanings. Therefore, the definitions used in this research must be provided.

This study will use Rokeach's comprehensive definition of a value:

> A value is an enduring belief that a specific mode of conduct or end state of existence is personally or socially preferable to an opposite or converse mode of conduct or end state of existence (Rokeach, 1973:5).

In addition, an attitude is defined as a predisposition to respond in a favorable or unfavorable way to an object, person, or event in one's environment. Although attitudes and values have many similarities, values were considered to be more basic than attitudes, often underlying them. They serve as criteria through which the individual may develop specific attitudes. "When specific attitudes are organized into hierarchical structure, they comprise value systems" (Katz, 1963b:253). That is, attitudes express values and are functions of them.

As mentioned earlier, culture was defined as the shared attitudes and values of the people in a country. Thus, culture refers to common, deeply rooted, attitudes and values, which exist largely irrespective of individual differences. When dealing with attitudes and values that are common or shared among people in a nation or country, the term culture will be used interchangeably with attitudes and values.

Scope of the Literature Reviewed

Before developing the research design, it was necessary to assess the present state of the literature. Five bodies of literature were identified as being related to the research problem:

1) Attitude and Value Literature: The literature on attitudes and values represented a vast body of knowledge. It was focussed primarily at the individual level of analysis, with much less written about societal attitudes and values, or national culture. However, this literature was extremely useful in providing a base from which to understand attitudes and values at the national level.

2) Literature on Canada and the United States: This literature fell into two broad categories. One category focused on the two countries from an historical perspective, tracing their roots, as well as the events leading to their differences - from a political, social and cultural perspective. Most of this work has been written for the interested Canadian or American citizen, with little emphasis on empirical data to support the findings. The second category tended to focus on the legal, political and economic issues (trade, power relations, politics, etc.) between the two countries. It frequently concentrated on promoting cooperation and/or congruence between the U.S. and Canada on these broader issues. There was little, if anything, written at a more micro level of analysis, directly applicable to the organization, as opposed to the nation itself. Also, what little was applicable was unidirectional -- it tended to focus on U.S. companies moving into Canada, and not on Canadian companies moving into the United States.

3) Cross-cultural Literature: This was a somewhat smaller body of knowledge. Within this area, was a stream of work on the difficulty of understanding and learning how to operate in a new country. This literature was useful for showing how one's frame of reference (values, attitudes, ideas and accumulated knowledge) affects one's behavior. However, there are very few empirical studies available which have investigated culture. In two of the three culture studies found, including Canada and the United States, the two countries were not the focus of the study. Therefore, perhaps due to their assumed similarity, Canada and the U.S. have been ignored, with respect to each other, from a cultural perspective.

4) Decision Making Literature: This literature was investigated because the strategic decision to enter the United States market, and the subsequent related decisions, were of interest in Phase 1 of the research design (interviews). The decision making literature has recently produced a number of books/articles outlining the importance that a manager's attitudes and values have on the strategic decisions he/she makes. Because this research was aimed at studying the reasons for success and failure among Canadian firms operating in the U.S. market, from an attitudinal, or cultural perspective, this small part of the decision making literature was found useful.

A review of the literature discussed above, (with the exception of the second category of literature on Canada and the United States, which was not deemed useful or relevant to the topic) is presented in the following chapters. The literature was then used to develop the model guiding the research, as well as the research questions that led to the chosen research design.

ORGANIZATION OF THE DISSERTATION

Chapter 1 (the current chapter) provides the introduction to the research problem and its importance, a base from which to start from, and discusses the layout of the thesis. The subsequent chapters are organized as follows:

Chapters 2 and 3 review the literature pertaining to the research topic. Chapter 2 is divided into two sections. It begins with the attitude and value literature, discussing the most basic concepts used in the study, and their interrelationships. This provided the base from which to understand attitudes and values at the national level. Therefore, the second section presents the literature on the differences in Canadian and American attitudes, values and behaviors (culture).

Chapter 3 is concerned with the effect of managerial attitudes and values on managerial behaviors. It begins by presenting a sub-section of the decision making literature, on the effect of a manager's attitudes on values on his/her strategic decision making behaviors. The impact of culture on managerial attitudes, values and behaviors, is also discussed. The final section presents the cross-cultural literature, which suggests the implications of attitudes and values for cross-cultural management.

In Chapter 4, a conceptual model was developed, based on the literature reviewed. It also outlines the research questions, and the research design chosen to investigate the questions.

The following chapter, Chapter 5, is a methodological chapter. It outlines the methodology used in Phase 1 of the research. This includes the companies chosen for the interviews as well as the interview protocol used to focus the data collection and analysis processes. The interview protocol is presented in Appendix 1.

Chapters 6 and 7 present an in-depth analysis of the decision making processes (surrounding the U.S. decision) of the four companies chosen for study. In Chapter 6, the two companies that were unsuccessful in the U.S. are presented. In Chapter 7, the two companies that were successful in the U.S. follow. In Chapter 8, an across company analysis of the decision making process in the four companies is provided. Cnapter 9 summarizes the cultural differences found by executives across the four companies, as well as their affects on business practices.

Chapter 10 outlines the methodology used in Phase 2 of the research design. This includes the design of the questionnaire used to measure cultural differences in Canada and the U.S., as well as the population of interest. In Chapter 11, the quantitative analysis of the questionnaire is presented. Finally, Chapter 12 concludes with the contributions of the research, areas for future research, and the implications of the research for managers.

CHAPTER 2 - LITERATURE REVIEW

Each society or culture is comprised of individuals who share certain attitudes and values. This chapter is devoted to understanding the Canadian and American cultures. However, in order to understand the shared attitudes and values thought to differentiate each of these two cultures, it is first useful to examine the concepts of attitude and value themselves. Therefore, this chapter was divided into two parts. In Part I, the purpose is to provide an overview of the relevant attitude and value literature, at the individual level of analysis. The utility of Part I will become clear in Chapter 3 when managerial attitudes and values are discussed. It is divided into four subsections:

1. The Nature of Attitudes and Values
2. The Formation of Attitudes and Values
3. The Attitude-Behavior Relationship
4. Attitude and Value Change

The purpose of Part II of this chapter is to determine (1) what the differences and similarities are between the Canadian and American cultures (shared attitudes and values among individuals in each nation), (2) how they evolved, and (3) their potential implications for Canadian retail companies doing business in the United States.

PART I

1. THE NATURE OF ATTITUDES AND VALUES

A. Introduction

As early as 1935, Gordon Allport suggested that the concept of attitude was the keystone of social psychology. Today, "The centrality of the attitude concept remains unchallenged and, if anything, its importance has increased" (Fishbein and Ajzen, 1975:preface). Why is the study of attitudes so important? First, we tend to have attitudes about almost every thing and every person we come into contact with. Therefore, interest is widespread because so much of our personal and social lives are touched by attitudes.

A second reason for the importance of attitudes is their usefulness for analysis at both the micro and macro levels. An attitude "...can, for example, be used to characterize the behavior of a single individual in a carefully controlled laboratory situation, and yet at the same tim it can also be used to characterize the value orientations of large collectivities" (Lemon, 1973:1). Thus, the term "attitude" can be applied to individuals, groups, organizations and nations.

In addition,

> Attitude is itself an interdisciplinary term, bridging psychology and sociology; for attitudes have social references in their origins and development and in their objects, while at the same time they have psychological reference in that they inhere in the individual and are intimately enmeshed in his behaviour and his psychological make-up. (Warren and Jahoda, 1973:10)

Because the term is not the property of one school of thought, it is popular among eclectic writers.

Another compelling reason for the broad interest in attitudes is that, "There is a pervasive sense in the lay person and scientist alike that our behavior is influenced by our attitudes, whereby attitude is seen as the cause and behavior is seen as the effect" (Rajecki, 1982:3).

The concept of value is also of critical importance to the the social sciences. It is the main dependent variable in the study of culture, society and personality, and the main independent variable in the study of social attitudes and behavior (Rokeach, 1973). In fact, it is hard to think of anything social scientists might study that does not implicate human values. Indeed, "...theoretical considerations suggest that values are...   central than attitudes as determinants of human behavior" (Rokeach, 1973:51).

However, despite the obvious importance of values, empirically oriented social psychologists have paid considerably more attention to the theory and measurement of attitudes than values (Rokeach, 1973). There are basically two reasons for this. First, the methods for measuring attitudes are more readily available and more sophisticated than those for values. Second, there is a lack of clarity in the literature on the differences and interconnections between attitudes and values. Therefore, researchers tend to either ignore the value concept altogether, or to lump it into the same conceptual category as attitudes.

In the following sections, the concepts of attitude and value will be defined and discussed in terms of their 'fit' into an overall attitude, value and culture framework. In doing so, their individual elements, as well as their differences and functional interconnections with respect to each other, will become clearer.

B. Attitude and Value Defined

Although we all have some notion about what attitudes and values are, and despite their central position in social psychology, the concepts have been plagued with ambiguity. Social scientists nave, for the past fifty years, struggled to develop workable, scientific definitions (Penrod, 1986). However, as Allport (1935:798) points out, when discussing attitudes,

> As might be expected of so abstract and serviceable a term, it has come to signify many things to many writers, with the inevitable result that its meaning is somewhat indefinite and its scientific status called into question.

What makes it even more difficult is that attitudes and values are not observable entities - they are hypothetical constructs that must be inferred. They can only be measured indirectly, through observing behavior, questionnaire responses or physiological reactions. Nonetheless, an interesting way to better understand attitudes and values is to examine their structure and dimensions in more detail.

Currently, the most widespread of the various attitude definitions divides the construct into three interrelated components - affects (emotional reactions), cognitions (beliefs or opinions), and action tendencies. The affective component involves feelings about, and the evaluation of, the attitude object, or one's like or dislike for that object (i.e. respect, liking, sympathy, contempt, fear) (Wrightsman and Deaux, 1981). The cognitive component consists of the individual's perceptions, beliefs, and ideas about an object, such as the belief by Canadians that all Americans are pushy (Hamner and Organ, 1978). It also involves the beliefs and opinions through which the attitude is expressed, although they are not always conscious. The behavioral component refers to one's action tendencies toward an object, or his intention or predisposition to act. It includes the physical and mental processes that prepare the individual to act in a certain manner.

These three components do not exist or function separately. Thus, an attitude represents the interplay of a person's emotions, cognitions, and behavioral tendencies with respect to something - another person/group, an event, an idea - in the individual's social world (Hellriegel, 1986).

Recently, researchers have attempted to operationalize this tripartite model of attitudes, using different methods of measuring each component (See Breckler, 1984). Research is still unclear about how interrelated the three components are. Indeed, Breckler (1984) found, using a very sophisticated statistical technique, that while each component provided a statistically significant contribution to the attitude construct, each was only moderately related to the others.

As a result, many investigators (Fishbein and Ajzen, 1975; Fazio, 1986; Lemon, 1973; Wrightsman and Deaux, 1981) have become much more precise in their use of the term attitude, restricting it to the affective component. Indeed, Fishbein and Ajzen (1975) have argued that the notion of attitude is easier to understand. if we separate these three components and define attitudes simply as affective responses (simple like or dislike on a bi-polar scale) and treat the cognitive and behavioral intentions components as antecedents and outcomes of the attitude itself. Thus, because the major characteristic that distinguishes attitude from other concepts is its evaluative or affective nature, they suggest that a more specific description of attitude be used.

Although it does not capture the full complexity of the concept, "...there is widespread agreement that affect is the most essential part of the attitude concept" (Fishbein and Ajzen, 1975:11). This is not to suggest that research should not continue into the more complex definition of an attitude, but simply that until we more clearly understand the complexity of the concept, including the interrelatedness of the three components, reliability across studies measuring attitudes is important for advancing attitude research. Therefore, parsimony may be prudent.

Using the above rationale, the affective component of attitudes was used to measure attitudes in this research study. Thus, an attitude is defined as a predisposition to respond in a favorable or unfavorable way to an object, person, or event in one's environment.

'Value' is a term whose relationship with attitude has prompted several attempts at a distinction. Some writers use the terms attitude and value either together, or somewhat interchangeably, assuming they are synonymous. Others, view the two terms as being markedly different, with values being more basic than attitudes and often underlying them. A value is defined as,

> an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence. (Rokeach, 1973:5)

The enduring aspect of values arises from the fact that they are learned in isolation from each other and in an absolute way. For example, we are not taught to be just a little bit honest. However, any conception of human values must be able to account for their changing character as well:

> Gradually, through experience and a process of maturation, we all learn to integrate the isolated, absolute values we have been taught in this or that context into a hierarchically organized system, wherein each value is ordered in priority or importance relative to other values. (Rokeach, 1973:6)

Each person's rank ordering can, and most likely will, be different. Therefore, whereas the total value system remains relatively stable over time, change occurs as a result of the need to reorder priorities when one encounters diverse social situations. Therefore, changes are the consequence of changes in culture, social and personal experiences.

C. Attitudes and Values: A Comparison

The theoretical status of attitudes and values can be further clarified by reviewing the distinctions made between them. Rokeach (1968;1973) has done extensive work on the nature of human values and points out several key similarities and differences between attitudes and values. First, values like attitudes can have affective, cognitive, and behavioral components. A value is affective in that one can feel emotion about it and be affectively for or against it. A value is a cognition about the desirable. "To say that a person has a value is to say that cognitively he knows the correct way to behave or the correct end-state to strive for" (Rokeach, 1973:7). Finally, a value has a behavioral component in the sense that it is an intervening variable that may lead to action when activated. Similarly, values can be consciously or unconsciously held and, like attitudes, must be inferred from what a person says or does.

However, an attitude refers to an organization of **several** beliefs that are all focused on a given object or situation, while "A value, ...refers to a single belief of a very specific kind" (Rokeach, 1973:18). Beliefs are what individuals consider true about themselves and their environment. Values are broader and more abstract goals that an individual may have, and they lack a specific object or reference point. "Bravery, beauty, and freedom are values" (Wrightsman and Deaux, 1981:317). They serve as criteria through which the individual may develop specific attitudes and beliefs. Thus, if an individual's primary value is beauty, his beliefs may revolve around whether or not a particular object is beautiful. His attitudes toward that object, in turn, may be influenced by the degree to which he finds it aesthetically pleasing. "When specific attitudes are organized into hierarchical structure, they comprise value systems" (Katz, 1963b:253). Therefore, we can have specific attitudes about white water rafting but we may also have a systematic organization of such beliefs and attitudes in the form of a value system of risk aversion.

Values are not focused, but are transcendental, guiding actions, attitudes and judgements beyond immediate goals to more ultimate goals. A value is a standard, whereas, an attitude is a favorable or unfavorable evaluation based on a small number of values. That is, attitudes express values and are functions of them. In this sense, values occupy a more central position than attitudes in the overall framework being developed, determining attitudes as well as influencing behavior.

In Rokeach's (1973) study of human values and attitudes he found that virtually all the attitudes considered were associated with some cluster or subset of values. The findings, however, did not reveal any exact correspondence between any one attitude and value. Instead, "Each attitude is associated with several or many values, and each value is associated with several or many attitudes" (Rokeach, 1973:118). Although values are thought to underlie and explain the attitudes people hold, as well as the behavior they engage in, we do not know enough about the nature of attitudes and values to know which values underlie which attitudes (and behaviors) or how, or why, they determine attitudes and behavior. Figure 1 summarizes the similarities and differences between the attitude and value concepts.

Attitude/Value/Culture Framework

Having discussed attitudes and values, it is important to return to their interrelationship with culture. Culture is a very general notion referring in part to the attitudes and values common to a social or national group (Warren and Jahoda, 1973). Thus, culture refers to common, deeply rooted, attitudes and values which exist largely irrespective of individual differences.

It is important to understand, however, that because national culture represents the shared attitudes and values among the people in a nation, it was measured in this study at the individual level of analysis. Due to the dearth of available literature on values, the focus of the remainder of Part I of this chapter is on attitudes. However, where literature on values was available, it is included.

FIGURE 1 - ATTITUDES AND VALUES: A COMPARISON

ATTITUDE	VALUE
Not observable entities; must be inferred	Same
Can be both consciously and unconsciously held	Same
Affective, cognitive and behavioral components	Same
Predisposition to respond	Enduring belief
Organization of several beliefs focused on a given object or situation	Relatively general beliefs that define right and wrong or specify general preferences Not focused; guide action
Hierarchy of attitudes is a value system	Values serve as criteria to develop attitudes
Favorable or unfavorable evaluation based on a small number of values	Values are standards - they determine attitudes and influence behavior
Attitudes represent values	Values underlie attitudes

Figure 1. Attitudes and Values: A Comparison

2. THE FORMATION OF ATTITUDES AND VALUES

A. Factors Affecting Attitude and Value Formation

Many factors can be identified which influence our learning and, therefore, the formation of our attitudes and values. The more important of these are: the family, major group memberships and cultural influences.

The Family

The family is the chief direct influence on the development of the individual's core attitudes and values. Obviously, the family influences early learning patterns and controls the groups and culture to which a person is intially exposed (Hamner and Organ, 1978). It filters culture, class, religion, and so on. The fact that infants have no preexisting attitudes, that are contrary to the parental influence, gives parents great power to shape them. In addition, many of the early experiences a child has involve either the explicit teaching of attitudes by the parents, or the implicit modeling of parental attitudes (Oskamp, 1977). Where the child has no experience, as with attitudes toward other nations, foreigners, political parties, etc., the parents influence may become predominant. Indeed, several studies have shown that children frequently adopt the same political beliefs as their parents, until they reach the university level, where peer influence often takes over.

Group Determinants

Within our society, we desire approval from others. Therefore, our attitudes are susceptible to being strongly shaped by the many groups of which we are a part. Just about every group we belong to has its own set of beliefs, attitudes, values and behaviors which it considers appropriate for its members. Groups regulate members by using rewards and punishments, and also by providing members with a frame of reference to view and deal with the world.

We can also be grouped according to factors such as geographic region, religion, educational background, race, sex, age and income class, all of which strongly affect our views of the world. For example, one's socio-economic class influences one's attitudes toward management and labor. Similarly, Dalton (cited in Costello and Zalkind, 1963) showed that "rate-busters" in a work group were more likely to have come from rural than urban surroundings.

Belonging to several different reference groups means that a person is subjected to many conflicting pressures on his attitudes and values, forcing him to select his beliefs and attitudes among competing alternatives.

It is interesting to briefly digress to consider one issue that the various reference groups are usually not in conflict over - nationalistic values. The fact that these values remain relatively stable across reference groups reinforces their appropriateness and leaves them unlikely to be questioned. Values such as these have been termed "cultural truisms", which are beliefs accepted

> as unquestionably true by most members of a society, like "The United States is the best country in the world to live in", or "If people are willing to work hard, they can succeed." Cultural truisms are rarely called into question and when they are not, it is relatively easy for us to lose sight of why we hold them. (Aronson, 1984:102)

The result is a nonconscious ideology which remains outside of the person's awareness.

Cultural Influences

Many of our attitudes and values are learned as a result of cultural influences. Culture involves the customs, habits and traditions of a people or a social group, including their attitudes and beliefs. Our culture and language provide us with the experiences and boundaries for our intial attitudes. We are taught at a very early age that certain attitudes and beliefs are more acceptable than others. For example, a Canadian's attitudes toward Communism are very different from those of the average Russian. In addition,

> Vast cultural differences have been shown with regard to competitiveness, acquisitiveness, the importance of the family, the relationships with other groups, the seeking of status, and the importance of individual achievement. (Costello and Zalkind, 1963:260)

Moreover, society has the "...ability to inculcate an entire nonconscious ideology into its citizens, to actually create the underlying premises and basic values which generate their interpretation of the world" (Bem, 1970:71). This is very subtle and invisible, yet very profound, because it is the most difficult kind of social influence to challenge. Thus, culture can influence very major ways of behaving and thinking about the world as well as very minor matters.

In the next two sections, attitudes alone will be the focus.

B. Processes of Attitude Formation

So far, the focus has been on the **factors** that influence the process of attitude formation, and not the **process** of attitude formation itself. Yet, at a much more basic level, attitude formation is influenced by the ways we process information about the world. Two people may have identical attitudes toward some object or situation, but these attitudes may have been formed in different ways. Social scientists have developed a number of learning theories to explain the process. The first two theories that will be presented involve the most fundamental way in which people form attitudes - through direct personal experience with the attitude object.

The first of these, classical conditioning theory, is the process that forms attitudes by repeatedly pairing a neutral concept with one that is socially charged with positive or negative meanings (Penrod, 1986). An example would be the pairing of the word student with radical, unrest and protests, leading to attitudes about students associated with these words.

Second, is operant conditioning theory, which strongly emphasizes the role of reinforcement in attitude formation, and also the source of this approval or disapproval. "When individuals receive social approval for their attitudes, these attitudes will be reinforced; conversely, if the attitudes are disapproved of, they will not be reinforced" (Penrod, 1986:254). Therefore, classical conditioning and operant conditioning theories view attitudes as reflections of a person's previous reinforcement history.

However, attitudes are not formed exclusively by experiencing the world directly. Bandura (1977, cited in Penrod, 1986) has shown that we often learn attitudes by observing and attempting to imitate the behavior of others. "Through modeling, children acquire various attitudes from their parents even when these attitudes have not been expressed directly through verbal instruction" (Penrod, 1986:254). The process involved in the formation of international attitudes is a prime example of vicarious learning. Many people have little or no direct contact with other nations yet, despite this fact, attitudes are formed. This is interesting in two respects. First, international attitudes are formed initially in the child's socialization process, through modeling or vicarious learning. They are based on information and norms received from the family and school (Oskamp, 1977). The second interesting issue is that, as a result of this process, the attitudes formed may be quite unrelated to the realities of the world. "Images" is a term used to describe our often distorted views of other nations and peoples (Oskamp, 1977). Indeed, "The outstanding source of racial prejudice is the assumption of the attitudes of others" (Allport, 1935:811). The Canadian child who has no preconceived notions about Americans quickly interprets his parents' attitudes.

> Through derogatory and derisive names, through humorous stories, through persecution, and through legend, "the social order itself conveys lessons that are absorbed without conscious learning. (Allport, 1935:811)

It is often not until people have had contact with foreigners through travel, exchanges, etc., or become educated or persuaded about the country/nation that these attitudes are likely to change.

3. THE ATTITUDE - BEHAVIOR RELATIONSHIP

The fundamental issue that continues to be of interest to researchers and managers is the relationship between attitudes and behavior. Whereas attitudes, in their own right, are important to study, it is their affect on behavior that helps researchers to not only understand, but to predict, what someone will do. This relationship is particularly relevant to Part II of this paper (Canadian and American attitudes and values), because different attitudes may translate into different business behaviors in Canada and the United States.

A. Historical Overview

The attitude-behavior relationship has been studied in three distinct stages. Researchers have changed from having an optimistic view of the relationship to a pessimistic view, and then back to a more optimistic view once again (Petty and Cacioppo, 1981; Fishbein and Ajzen, 1980). For years, the study of attitudes was largely motivated by the implicit assumption that attitudes determined behavior. In fact, many of the early definitions included an attitude-behavior link as part of the definition. They implied that without such a link, there was no attitude. This view remained largely unchallenged until the 1960's when a number of researchers scrutinized the literature and conducted empirical investigations, often finding very small or zero attitude-behavior correlations. This definitely refuted the previously assumed one-to-one correspondence.

One study was particularly well-known. LaPiere (1954, in Penrod, 1986) travelled with a Chinese couple to various hotels and restaurants throughout the United States. Prior to leaving on this venture, he telephoned several hotel and restaurant owners to find out their attitudes toward the Chinese. Although the majority of restaurauteurs and hotel owners indicated that they would not serve a Chinese person, LaPiere found that, in every case, their behavior was inconsistent with their attitudes toward Chinese. In all cases, the Chinese couple was served.

Of the other work done, a very radical review was written by Wicker (1969, cited in Cooper and Croyle, 1984). He concluded that there was a very weak relationship between measured attitudes and subsequent behavior, and suggested abandoning the attitude concept altogether. This review generated a lot of research and interest.

Later work, however, showed considerable progress and began to portray the attitude-behavior relationship in a more optimistic light. Researchers discovered that while the relationship between attitudes and behavior may in fact exist, it was not a simple, direct relationship. There are a number of reasons for this. First, behavior toward a particular attitude object does not occur in a vacuum. It is determined not only by attitudes we have about the attitude object, but also by the attitudes we have about the situation (Rokeach, 1968; Mann, 1969). Thus, behavior is always mediated by the interaction of these two types of attitudes. Interaction implies that the two kinds of attitudes will have different degrees of importance, thereby, influencing behavior differentially.

This reasoning acts as a possible explanation for the discrepancy between the restaurant owners' behavior toward the Chinese couple, in LaPiere's study, and their verbal expressions of their attitudes on the subject, via phone or letter. If only attitude-toward-object was measured, the inconsistency between attitudes and behavior is understandable. That is, the restaurant owners had attitudes toward Chinese, but they also, as managers of ongoing businesses, had attitudes about how to conduct business in such a situation. "The attitude that politeness and decorum is the appropriate behavior in a hotel supersedes the attitude of prejudice toward Chinese, and LaPiere's companions are made welcome" (Mann, 1969:112).

Second, many different attitudes are relevant to a single behavior. Therefore, even if a person appears to have acted contrary to his attitudes, he may not have. He may have acted contrary to one attitude, but in accord with a second, third, or fourth that was a more important attitude, and that may not have been measured. A problem with the state of present attitude theory is that there is no way of determining when we are dealing with one attitude or more than one attitude.

Unfortunately, the majority of the research in the area has not reflected the complex nature of the relationship. For example, in operational definitions and measurement, only attitudes toward the attitude object have been used, even though attitudes have typically been defined as predispositions toward objects **and** situations (Rokeach, 1968:127). Part of this problem has occurred because attitude is a psychological variable whereas the situation is an objective, sociological variable. Rokeach (1968) suggests that "attitude toward the situation" be changed to one's "definition of the situation", which is at least a psychological variable that may more often be measured. However, it could be argued that one's definition of the situation is itself influenced by attitudes and values.

A third reason why attitudes do not predict behavior more consistently is that the level of specificity at which attitudes and behaviors are defined is inconsistent. Investigators have used general measures of attitudes and then looked at very specific measures of behavior. It has been found that "...experiments in which the measure of attitude is more specific have had much more success in predicting specific behavior" (Wrightsman and Deaux, 1981:321).

Similarly, researchers often select a single act as a measure of behavior when they should probably look at a whole series of acts. Any given behavior may be related to more than one attitude, so there is a large possibility that it may not be consistent with the attitude being measured, but some other attitude. Thus, there are three principles which, if followed, will improve the ability to predict behavior from attitudes:

1. General attitudes best predict general behaviors.

2. Specific attitudes best predict specific behaviors.

3. The less time that elapses between attitude measurement and behavior, the more consistent the relationship. (Wrightsman and Deaux, 1981:322)

B. Recent Research

The most recent research investigating the attitude-behavior relationship is proceeding along two lines. First, Fishbein et. al (1986, cited in Chaiken and Stangor, 1987) see the problem as largely methodological. Their approach involves measuring attitudes at a comparable level of specificity to measures of behavior. However, they are also concerned with the ways that cognitions about a behavior are combined to create attitudes and/or intentions toward that behavior. They argue that an assessment of behavioral intentions, not attitudes, will lead to the most accurate behavioral predictions.

Fishbein and Ajzen (1980) have developed a behavioral intentions model, which is depicted in Figure 2. A critical premise of their model is that attitudes influence behavior only through their impact on intentions. An intention is a function of the person's attitude toward performing a specific behavior, plus his subjective view of the social norms about that behavior (Cooper and Croyle, 1984).

Although the Fishbein and Ajzen model has been shown to help researchers predict behavior, it does not necessarily improve our understanding of the psychological processes underlying the attitude-behavior relationship. This is the focus of the second line of research - the mediational perspective.

The mediational perspective is concerned with the cognitive processes that influence the attitude-behavior relationship. Researchers in this group concede that attitudes are often inadequate predictors of behavior without mediational variables and processes (Fazio and Zanna, 1981). These will now be discussed.

FIGURE 2

BEHAVIORAL INTENTIONS MODEL

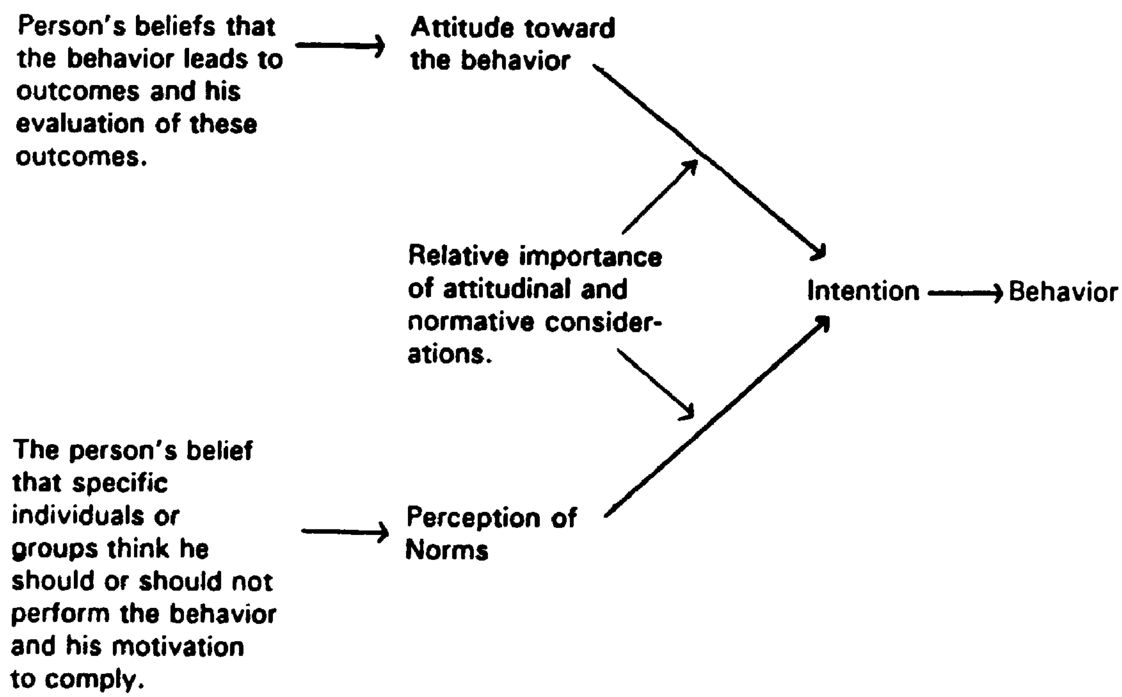

Figure 2. Behavioral Intentions Model - Fishbein and Ajzen (1980)

Mediating Personality Factors

One personality factor affecting the attitude-behavior relationship is a person's self-monitoring tendency. A high self-monitoring tendency means that a person is influenced by situational cues. A person with a low self-monitoring tendency would rely on his inner states when making behavioral decisions. It has been found that:

> Low self-monitors tend to guide their behavioral choices on the basis of salient information about their internal states (eg. eat when hungry) whereas high self-monitors tend to guide their behavior more on the basis of situational information (eg. eat when it's dinnertime) (Petty and Cacioppo, 1981:28).

Therefore, low self-monitors tend to show greater attitude-behavior consistency than people high on the trait.

Other personality factors being investigated that are thought to play a role in the attitude-behavior relationship are one's self-image as a "doer", and one's level of moral reasoning.

How one's attitudes are formed also plays a role in their affect on behavior. There is much evidence that attitudes formed on the basis of direct, behavioral experience with an attitude object are more predictive. Fazio and Zanna (1981) focus on such attitudes. The reasoning for this is the following. Direct experience makes more information available to the individual. Thus, attitudes are based on salient beliefs, which the person may feel more confident acting on. In addition, Fazio and Zanna suggest that attitudes based on direct experience are often easier for people to remember and, the more accessible an attitude is in memory, the more likely it can influence the person. Indeed, "...there is growing evidence that variability in attitude accessibility or in the accessibility of various attitude "elements" influences both expressed attitudes and the attitude-behavior relationship" (Chaiken and Stangor, 1987:589).

Attitudinal qualities are also thought to mediate the attitude-behavior relationship. For example, the importance of an attitude can affect one's readiness to respond. The temporal stability of one's attitudes, the confidence with which they are held, and how clearly defined they are, are all considered relevant. Similarly, situational factors, such as certain normative constraints or inducements, will impact on the attitude-behavior relationship. Over the past decade, considerable progress has been made in the area of mediational influences.

Alternate Approaches

However, not all researchers believe that attitudes lead to behavior. A divergent perspective on the attitude-behavior relationship is Bem's (1970) self-perception theory. According to Bem, it is not attitudes that determine behavior, but the opposite. We look at our behavior to understand what our attitudes are.

Others argue that habit predicts behavior. When a person first performs a particular behavior, cognitive factors such as attitudes play a significant role, but as the person engages more and more in the behavior, habit begins to play a more important role. For day-to-day behavior, much of which is mindless, attitudes will likely be poor predictors of that behavior. In fact, even if attitudes change, old behaviors may persist due to habit.

The Need For A Process Approach

In summary, it is now widely accepted that a relationship exists between attitudes and behavior, although it is not simple and direct (Cialdini, Petty, Cacioppo, 1981; Cooper & Croyle, 1984). Researchers have now refocused their attention from asking "if" a relationship exists, to "when" this relationship exists. This research has proceeded along either the methodological line or the mediational line. Although these two lines of research have done much to advance the attitude literature, they are divergent and limited in the questions they are capable of answering. It seems that what is needed is more of a process approach that describes "how" attitudes guide behavior, instead of "if" or "when". In the current literature, mention is made of attitudes "guiding" or influencing behavior, but there is no literature explaining "how" this might occur. That is, research neglects the **process** of translating attitudes into behavior.

4. ATTITUDE CHANGE

Another feature of attitudes that is important is the fact that, once formed, they can be very difficult to change. With the environment constantly changing, in terms of who we interact with, the events going on around us, and the information we must respond to, being able to change our attitudes has survival value. The subject of attitude and value change is the focus of this section.

A. The Functions of Attitudes

While it is important for managers and researchers to be able to predict behavior from attitudes, understanding how to change attitudes may be a more relevant task at certain times. Attitudes are important to individuals because they are functional. That is, attitudes influence important psychological processes and, in doing so, satisfy a number of individual needs. Unless we understand the psychological need(s) being met by an attitude, we cannot predict how they will change (Katz, 1960).

To reflect this viewpoint, a group of researchers have organized their attitude change theories around the functions which attitudes perform. For example, in taking this functional approach, researchers have given primary attention to the motivational bases of attitudes and the processes of attitude change. They assume that attitude formation and attitude change must be understood in terms of the needs they serve, and as these motivational processes differ, so too will the conditions and techniques for attitude change.

Katz (1960) suggests that four functions are served by attitudes. The same attitude may perform different functions for the different people who express it.

1. Adjustment Function
2. Ego-Defense Function
3. Value Expressive Function
4. Knowledge Function

Attitudes which serve the adjustment function help the individual to reach desired goals and avoid undesirable results or, they are positive sentiments associated with experiences in attaining motives.

Many of our attitudes act as an ego defense and, therefore, help us to defend our self-image. People expend a lot of energy learning to live with themselves. Prejudice is one way to bolster one's ego by expressing an attitude of superiority towar ome minority group.

Other attitudes have the function of giving positive expression to a person's central values. These attitudes serve the value-expressive function.

We have a need to make sense of our world. Therefore, attitudes which help us to deal with situations and that give meaning to experiences are maintained. These attitudes serve a knowledge function. "A very i.nportant function of knowledge is its satisfaction of the need for meaningful cognitive organization and for cognitive consistency and clarity" (Hamner and Organ, 1978:120).

B. Factors Influencing Attitude Change

Whether and how attitudes will change depends not only on the function the attitude serves, but also on a number of dimensions of one's attitudinal structure. For example, the degree to which an individual's belief system is integrated is an important characteristic of attitude structure, and one likely to influence its susceptibility to change (Lemon, 1973). Isolated attitudes are much easier to change than attitudes tied in strongly with the value system (Katz, 1960). Furthermore, "If an attitude is tied to a value system which is closely related to, or which consists of, the individual's conception of himself, then the appropriate change procedures become more complex" (Costello and Zalkind, 1963:254). This has also been referred to as the centrality of an attitude: "The centrality of an attitude refers to its role as part of a value system which is closely related to the individual's self-concept" (Costello and Zalkind, 1963:254). Some of our attitudes have built up over a lifetime as sources of stability. As such they have become **central** to what the individual is made up of, and his/her basic assumptions about life. Therefore, they are highly resistant to change. Attitudes are more amenable to change if they are located on the periphery, rather than at the center, of a belief system.

A related dimension of attitudes that affects attitude change is their degree of differentiation. Differentiation refers to the number of beliefs or cognitive items contained in the attitude (Katz, 1960). It is generally assumed that the simpler the attitude is in cognitive structure, the easier it is to change. Thus, if a particular attitude held by an individual is very different from other attitudes in the person's belief system, it will be easier to change than if it was closely related to several other, similarly held, attitudes.

Two other dimensions are intensity and generality. The more intense and general the attitude, the more difficult it is to change. The intensity of an attitude refers to the strength of the affective component, or the intensity of feeling for or against some object. "Some attitudes are casually held, while others reflect high levels of emotional involvement" (Neal, 1983:114).

Finally, changing attitudes is closely related to one's degree of receptivity to new information. This is not so much a dimension of attitude structure, but more a dimension of the person. It has to do with the level of open- versus close-mindedness of the individual, which may have an impact on his attitudes and attitude change in one of two ways. First, if individuals are overly receptive to new information from their environment, they may not be able to develop an integrated view of the world. Consequently, they may become distorted and develop oversimplified attitudes, such as stereotypes, which are highly resistant to change. Alternatively, they may be in a state of anarchy, such that any attitude formed, is easily changed by the input of new information.

Second, a high degree of receptivity to new information could result in open-mindedness, and a serious willingness on the part of the individual to keep his attitudes abreast of his experience. What makes one person open-minded, flexible, and adaptive is an issue that one can only speculate on. It seems likely that a genetic component is involved, which is perhaps combined with learning in the formation of this attitude orientation.

C. The Process of Changing Attitudes and Values

In Section 2, the generally accepted view that attitudes are formed through a learning process was discussed. In the attitude change literature, modifying an old attitude and replacing it with a new one is also seen as a process of learning. However, the process is somewhat more complex. First, learning to change an attitude always starts with a sense of being thwarted. Attitudes are formed by incorporating our direct and indirect experiences (wholly, partially, or not at all), into our overall attitudinal framework. But not every experience is incorporated into our attitude framework. This would be true if integration were the only mechanism involved in attitude formation. However, we also differentiate so that some experiences are incorporated only partially, or not at all, leaving several attitudes unchanged. Therefore, for change to occur, pre-existing attitudes must be found to be unsuitable, so they no longer offer resistance to new attitudes.

When old attitudes are found to be inadequate, the need for change is aroused. The situation most favorable to an attitude change is emotional disorganization or a state of self dissatisfaction, causing an imbalance in the attitude system. This state of disequilibrium is induced when a person becomes aware of certain contradictions in his/her total belief system, by the excitation of some need within the individual, or some relevant cue in the environment. To reduce the state of dissatisfaction, a person will often find it necessary to realign his/her values and attitudes with his/her self-conceptions. This should, in turn, lead to a reorganization of the remaining attitudes and values in the system and potentially, it could lead to behavioral change. These are the basic premises of the attitude change theories.

D. Are The Changes Lasting?

There is no doubt that attitudes can be changed but, perhaps a more important question is, are the changes lasting? Many have commented that techniques used to induce attitude change produce results that are typically short-lived. Why? The answer to this question has to do with the difference between attitudes and values. Again, theory and research tend to be concentrated on attitude change instead of value change. Rokeach (1973) states that the major reason for this is that "...social psychologists have assumed that the centrally located values are more resistant to change than attitudes" (Rokeach, 1973:216). Many of the techniques have been aimed at changing attitudes and "The reason attitude changes are typically short-lived is that the more central values underlying them have been left intact" (Rokeach, 1973:217). This inconsistency between the new attitude and the intact value creates tension and the changed attitude usually changes back to its original position, consistent with the values.

Similarly, value changes will be more enduring if they are changed in such a way that either maintains or enhances one's self-concept. Conversely, "A value that contradicts self-conceptions is more likely to undergo change than an attitude that is discrepant with persuasive communications or behavior" (Rokeach, 1973:217). Therefore, the conclusion to be drawn is that the more central the part of the attitude framework affected by the induced change, the more lasting and pervasive its effects should be on the cognitive system and on behavior.

E. National Attitudes

So far we have discussed the process of changing individual attitudes. It is interesting to consider national attitudes to see how they change, and if the process is any different from changing individual attitudes.

"A person's nationality and his attitudes toward the country in which he lives are of fundamental importance in determining the pattern of his life" (Bailyn, 1973:283). Although this is true, individuals are not likely to be aware of what these attitudes and their effects are. It may be difficult for a person to even describe his basic feelings about his country. Under day-to-day circumstances a person is unlikely to be occupied with these thoughts. Therefore, if change requires the arousal of existing attitudes, and if it is true that these attitudes are deeply ingrained, and the person is usually unaware of what they are, it would seem that national attitudes would be more difficult to change than other attitudes.

But, there are certain situations that increase their salience, and potentially lead to attitude change. For example, travel to a foreign country exposes a person to new ways of doing things and provides the opportunity to see how others view one's own nationality. "The traveller sensitive to his environment and to the responses of people around him is made more aware of his own national patterns and of his attitudes toward them" (Bailyn, 1973:283). He is also made aware of the other country's patterns which, can either confirm or disconfirm his pre-existing attitudes about that country. In addition to traveling itself, reading and learning about other countries can change the way a person views his own and others' situations.

SUMMARY OF PART I

Part I of Chapter 2 was focussed on providing a review of the attitude and value literature at the individual level of analysis. Many of the concepts discussed within this review will be seen and used later when analyzing the experiences of Canadian retailers in the United States market. For this reason, the major features of each section will now be summarized.

Formation of Attitudes and Values

Attitudes and values are learned through:

1. direct personal experience with the attitude object

2. observing and imitating others (vicariously)

Important factors influencing the formation of attitudes and values are:

1. the family
2. major group memberships
3. cultural influences

The Attitude--Behavior Relationship

Attitudes and values affect behavior, but this relationship is affected by:

1. personality factors
2. the way the attitude/value was formed (if formed on basis of direct, behavioral experience with attitude object, they are more predictive)
3. the importance of the attitude/value, the confidence with which they are held, and how clearly defined they are

Attitude/Value Change

Once formed, attitudes and values are very difficult to change.

Attitudes and values serve a number of functions for individuals making them difficult to change.

Attitude/value change is affected by:

1. integration - attitudes/values which are integrated into one's belief system are more difficult to change

2. differentiation - attitudes/values containing a number of different beliefs or cognitive items are more difficult to change

3. relatedness - attitudes/values that are related to other attitudes/values are harder to change than if they are different (unrelated)

4. intensity and generality - the more intense and general the attitude/value, the more difficult it is to change

5. individual receptiveness to information - attitude/value change is easier with those who are receptive to new information and who are more open-minded

Changing attitudes and values involves a process of learning, but it is more complex than during their initial formation:

1. process must start with a sense of being thwarted

2. pre-existing attitudes must be found to be unsuitable, so they are no longer resistant to new attitudes

3. disequilibrium is induced when a person becomes aware of certain contradictions in his/her total belief system

4. disequilibrium creates dissatisfaction which leads to a reorganization of remaining attitudes and values and, possibly, attitude/value change

5. the more central the part of the attitude framework affected by the induced change, the more lasting and pervasive its affects should be

As mentioned above, the application of these important concepts will become obvious in the analysis of the four Canadian retail companies and their experiences in the U.S. market.

PART II

In Part I of this chapter, the concepts of attitude and value were discussed at the individual level of analysis, which provided the foundation for understanding shared attitudes and values at the national level. However, when dealing with attitudes that are common or shared among people in a nation or country, the term culture will be used interchangeably with attitudes.

Whereas an attitude is typically seen as an individual attribute, culture is the term used to represent attitudes maintained by social groups. As mentioned in Chapter 1, culture is defined as the shared attitudes and values of the members of a country. In particular, culture is the common attitudes and values of people in one nation that are different from other nations. Therefore, culture is not a characteristic of individuals. Every person in the nation does not possess all of the characteristics assigned to that culture.

The purpose of Part II is to discuss (1) the similarities and differences between the Canadian and the American cultures, (2) the evolution of the two cultures and (3) the potential implications of these different cultures for Canadians doing business in the United States. Each of these will be addressed in a separate subsection.

1. CANADA AND THE UNITED STATES: A COMPARISON

Unlike any other nation Canada could be compared to, the United States is probably **the** most similar on numerous dimensions. Therefore, there is little doubt that a 'North American' culture does exist. Canada and the U.S. are both founded upon the basic democratic ideals of independence and individual worth (Mahant and Mount, 1984). In addition, Canada and the United States stress egalitarianism, achievement, and individualism, compared to other countries. However, "According to various interpreters of Canadian culture, Canada is somewhat less egalitarian, less achievement oriented, and less individualistic than the United States" (Lipset, 1963:199). Or, as Naegele (cited in Berry and Wilde, 1972) has pointed out, in Canada, these values are held much more tentatively. Therefore, "...although these two peoples (Canada and the United States) resemble each other more than any other two nations on earth, there are consistent patterns of difference between them" (Berry and Wilde, 1972:13). It is these slight variations in value patterns that can account for important differences in the attitudes and behaviors of people from each of the two countries. We often learn more by comparing two similar countries than we do comparing two that are very different. Thus, Part II of this chapter has focused on the key differences between the United States and Canada. First, the differences of a more general nature are presented, followed by the more specific differences between the cultures.

GENERAL DIFFERENCES

A. The Economic Realm

The United States is guided by two basic American values -- equality and achievement -- that seem to have an overriding impact on all other American attitudes and values. The U.S. has the purist capitalistic state -- its business institutions reflect the constant emphasis on individual achievement. In the U.S., there is a moral mandate to achieve success. In addition,

> Individualism assumes and values that human beings are autonomous, responsible, creative, and active persons who should be free to develop their personalities and abilities to the maximum extent so long as they do not infringe upon each other's rights. (Hall, 1983:90)

However, the emphasis on competitive individualism in the U.S. is not congruent with class consciousness (Lipset, 1989). Americans (1) apply the norms of universal competition and equalitarianism (individual opportunity) to everyone, such that individual merit, as opposed to social background, is the basis of evaluation.

By contrast, in Canada, a more aristocratic society, playing the game well is more important than the victory. Canadians have always been more tolerant of economic inequality and social stratification than Americans, retaining a more elitist attitude characteristic of England. For example, access to education is given to all those who qualify in the U.S., whereas Canada seems less willing to spread this opportunity. In 1985, only 14.5 percent of Canadians aged 18-24 were enrolled full-time in colleges and universities, compared to 22 percent of Americans (Lipset, 1989). Lipset cites a crossnational poll of 1982-83 conducted by Goldfarb Consultants that strongly suggests that these differences are at least partially rooted in values. Respondents were asked to rank the "importance of obtaining a college education" on a scale from 1 to 10. Canadians average ranking was 7.1 compared to Americans' average of 7.9. Thus the average American placed a higher emphasis on education than did the average Canadian -- almost 1 scale rank.

Moreover, Canadian students are still more likely to come from priveleged backgrounds than Americans. Also, in the U.S. it is easier for someone from a less privelged social background to enter the elite (based on individual merit) than is true in Canada. Furthermore, as Lipset (1989) notes, the greater concentration of wealth in Canada than in America should reinforce the impact of varying distributions in university education.

Canadian cultural elitism also shows up in that it resembles Britain in recruiting its business and political administrative elites disproportionately from those without a professional or technical education (Lipset, 1989). As McMillan (cited in Lipset, 1989:162) reports:

> Canadian managers tend to be less well educated than their counterparts in any other industrialized country with the possible exception of Britain."

Interestingly, in 1983, the proportion of university graduates receiving business degrees was almost twice as high in the U.S. as in Canada -- 24% versus 13% respectively (Lipset, 1989). This ratio was 14 to 5 percent in 1970-71, so there has been some improvement. Therefore, business persons in Canada are less likely than those in the U.S. to have business education and more likely to have a priveleged social background. It should be noted, however, that Canadian managers without university degrees do not necessarily come from priveleged social backgrounds.

Value differences also appear to be reflected in the content of the educational curriculum. The U.S. curriculum concentrates on more vocational, technical and professional courses, directly applicable to gaining skills to get ahead in the economic market. In Canada, technical training has been viewed as corrupting the "aristocracy of intellect" (Lipset, 1963). Traditionally, the content was biased toward languages and philosophy, thoroughness and merging the religious and the secular. However, as Claude Bissell former President of the University of Toronto notes (in Lipset, 1989), Canada has been moving away from an elitist conception of higher education. There is now greater accessibility and what some call commercialization of the education system. But, the fact remains, there is still a difference. "Perhaps this difference relates to the fact that the U.S. is still roughly 10% more productive than Canada, and the more populous country has been considerably ahead for most of the past two centuries" (Lipset, 1989:118). This is particularly interesting since Lipset notes that the factors many argued led to Canada's poorer position vis a vis the U.S. have almost disappeared. Yet, the differences in business and work values continue to exist.

Further differences exist in the economic realm in terms of risk. Canadian's are more risk averse than Americans in their attitudes and behaviors. Lipset (1989:123) notes that Americans have been more predisposed to put their money into stocks: "In 1981, such investment amounted to 0.9 percent of GDP in the United States and 0.2 percent in Canada. As of 1986, 13 percent of adult Canadians were stockholders; the corresponding figure for Americans in 1985 was 20 percent." Lipset also provides results from 1986 market research which reports that Canadians are more likely than Americans to prefer maximum safety to high interest rates when making an investment, and to prefer job security to money in a job.

Moreover, Canadians tend to be more confident in U.S. as opposed to Canadian business, and they tend to invest more in American companies and stocks than they do in Canadian. In fact,

> If one controls for the sizes of the two populations and per capita gross national product, it is clear that Canadians invest more money south of the border than Americans send north, a tendency that has grown greatly since the 1960's (Lipset, 1989:124).

Furthermore, "Canadians react to prosperity with an increasing sense of unease that the good times cannot last, while in the U.S. prosperity breeds an ever-greater feeling of optimism" (Jorgensen, 1987). In Canada, "There seems to be less optimism, less faith in the future, less willingness to risk capital or reputation" (Lipset, 1963). According to the Science Council of Canada, Canadian financial institutions, "tend consistently to avoid offering encouragement to the entrepreneur with a new technology-based product...(or to) innovative industries" (Lipset, 1989:123). Also, Canadian business has rarely been involved in creating industries to process inventions by Canadians. Thus, Canadians are forced to go to the U.S. to market their discoveries. And, when a Canadian makes it in the United States, all Canadians stand up and take notice (Berton, 1982).

Finally, compared with other OECD (Organization for Economic Cooperation and Development) countries, Canada's involvement in research and development is low. Analysts who have documented Canada's relative weakness conclude, "that to remedy the problem would require a conscious effort to "change culture"" (Lipset, 1989:122).

In contrast to Americans, Canadians are described by many who have studied the Canadian culture, as possessing greater caution, reserve and restraint. These characteristics permeate everything Canadians do. For example, when Canada separated from England in 1982, it did so in a very cautious, imperceptible, Canadian way. The fact that Canadians are not an impetuous people causes them to be seen by others, and often by themselves, as dull and lacking panache: "Superficially, Canadians seem to have many of the same properties as water: colorless, odorless and tasteless; we're Americans without the caffeine" (Godfrey, 1986:89). Godfrey has also noted that the apparent absence of distinguishable characteristics has made Canada an ideal environment for an immigrant society.

The emphasis on achievement and self-orientation in the U.S. are strongly linked to another dimension differentiating Canada and the U.S.: universalism--particularism. Americans are universalistic, which means they believe in treating everyone according to the same standard (Lipset, 1963). Universalism underlies the concept of the "melting pot", which holds that no one should be disqualified from full participation on the grounds of ethnic origin or other social distinctions. Indeed, "Americans tend to reject unfamiliar political values and ideologies, ..." (Doran, 1984:91) and they expect assimilation from citizens. On the other hand, Canadians are much more particularistic, treating different people according to different standards. Particularism underlies the concept of multiculturalism, or the cultural mosaic, which means that Canadians have the right to maintain collective individuality. That is, "...Canadians tend to minimize or ignore different values and ideologies..." (Doran, 1984:91). A consequence of this thinking is that third parties, such as the New Democratic Party, are tolerated in Canada and not in the U.S. "Indeed, Canada's peculiar blend of cultural heterogeneity and homogeneity gives Canadian society one of its most distinctive qualities and sets it apart from the United States in another fundamental way" (Doran, 1984:103).

Canadians are much more collectively oriented than Americans, as is evident by such things as universal medicare, the nationalization of several industries, and government intervention in the economy. In addition, in describing Canadians, Godfrey (1986:91) states:

> We certainly seem to put the collective good of the community before the interests of the individual. By extension, anyone who gets too far ahead of himself -- or the community -- runs the risk of being sneered at or slapped down.

Canadians tend to build up institutions, not individuals.

B. Labour

In the United States, the absence of a labour party or a strong union movement, is notably different from Canada. "Since the American emphasis has been on individual responsibility for success or failure, the American worker has not seen himself as a member of a class" (Lipset, 1963:203). The word "union" connotes "class" and, therefore, conflicts with the equalitarian, "anti-class" orientation of the values associated with the American national identity. Therefore, unions have had more difficulty organizing in the U.S., and are viewed only as a means of improving wages and working conditions.

In Canada, there is a much larger labour movement -- it is proportionately twice the size of the American labour movement. Until recently, this movement had been steadily growing. In the U.S., the labour movement has been declining since the 1970's. Since the two economies have been fairly similar, there must be some other factor that is the cause of these differences. Moreover, in keeping with Canadian's desire for peace, order and security, there generally has been less violent conflict between workers and employers in Canada than in the U.S.

SPECIFIC DIFFERENCES

On a more specific level of analysis, there are some key national attitudes and values that differentiate the Canadian and American cultures. These are:

A. respect for authority
B. hunger for security
C. yearning for peace, order, and good, strong government
D. anti-Americanism - rejection of the libertine and the permissive (derived from Berton, 1982)

Each of these points will now be discussed.

A. Respect for Authority

There is a very basic difference between Canadians and Americans in their attitudes toward authority. Canadians generally exhibit greater deference to authority, including superiors, whereas Americans resent and reject authoritarian, or disciplinary, demands that tend to subordinate the self (Lipset, 1963).

Moreover, Canadians tend to revere institutional authority more than the individuals who wield it. In fact, as Berton (1982) notes, Trudeaumania was a very un-Canadian phenomenon, because it conflicted with our traditional skepticism of the cult of personality. Exactly the opposite is true in the U.S.. Americans are very suspicious of, and have lesser respect for institutional authority (including government authority), but are more apt to glorify their presidents and chief executives.

Additionally, Americans have less respect for the law and the "rules of the game". In fact,

> Generalized deference is not accorded to those at the top; therefore, in the U.S. there is a greater propensity to redefine the rules or to ignore them. (In addition) The legitimacy and decisions of the leadership are constantly being questioned. (Lipset, 1963:23)

Whereas Canadians do as they are told, accepting the rule of authority; Americans do as they please until rules are needed, and then they use "on-the-spot democracy" -- they accept and abide by the decision of a majority. The difference is largely to do with Canadian's hunger for security. In Canada, "The other side of the coin of order and security is authority" (Berton, 1982:16). Therefore, Canadians have always naturally accepted more government control and involvement in their daily lives.

B. Hunger For Security

In 1988, Goldfarb Consultants (cited in Lipset, 1989:126) commented after reviewing evidence from opinion polls and aggregate data that "Canadians are more security conscious, have a 'rainy day' mentality, are more heavily insured and bigger savers than U.S. residents." In addition, the Science Council of Canada reports that Canadians save more than Americans and that a greater "part of these savings go into bank deposits, pensions and life insurance", and that Candians proportionately have "much more life insurance in force" than Americans (Lipset, 1989:126). Furthermore,, the household savings rate in Canada was more than twice that in the U.S. from 1980-88 except for two years when it was almost twice as high.

Canadians' economic prudence and desire for security is also evidenced in their buying behavior. They tend to prefer paying cash for everything whereas Americans are more willing to use a credit card (Lipset, 1989). In 1987, a study by Decima and Cambridge Research Incorporated (cited in Lipset, 1989) found that 45 percent of Americans replied that they would be "very willing" to use a credit card to make a major purchase compared to only 34 percent of Canadians.

C. Yearning For Peace, Order and Good Government

Whereas Americans are governed by the ideals of "life, liberty, and the pursuit of happiness", Canadians believe in a phrase from the British North American Act, "peace, order, and good government". Canadians concern with order and harmony reflects their ideals of authority and national hierarchy. Indeed, "Trust in big government is very much a Canadian attitude" (Berton, 1982:38). And, in Canada, good government means strong government. Historically, Canadians have put order ahead of individual freedom.

Much of this also has to do with an overwhelming concern in the U.S. with one's rights. For example, Americans see gun ownership as a right and are vehemently opposed to government gun control. Canadians, by contrast, view gun ownership as a privilege, and most support government gun control. In Canada, the attitude is: if you get into trouble, call a policeman. Indeed, there is a strict application of criminal justice and obedience to the law, which is handed down by the government. Thus, there is a greater degree of social control exercised in Canada and, consequently, a much lower crime rate.

Americans are more likely to employ informal and sometimes illegal means to protect their rights, which may be attributed to the greater strength of achievement and self-orientation values in the United States. The mandate to achieve success in the U.S. exerts pressure to succeed -- in any way necessary. This suggests that Americans would be more likely than Canadians to be concerned with the achievement of ends, not means (Lipset, 1963). Therefore, one might expect a greater number of deviations from conventional norms in the U.S.

D. Anti-Americanism

Many Canadians feel that they do not possess a national identity like other nations. However, even those who are not sure what a Canadian is, are resolute about what they are not -- they are not American. This is, perhaps, the most noteworthy attitude characterizing the Canadian culture. Canadians are the world's oldest and continuing Anti-Americans (Mahant and Mount, 1984). This part of the Canadian identity has been shaped, and perpetuated, by Canada's negative reaction to the United States' overpowering presence. Canadians like to think they have their own distinct identity and their own way of doing things. They revere their Mounties because they are something Canadians have that Americans do not (Berton, 1982).

Even though Canada has, over the last 200 years, become more dependent upon the U.S. economically and strategically, it has sought to retain its cultural independence and a distinct national identity. Canada dissociated itself from the U.S. by rejecting their libertine and permissive ways, viewing Americans as crass, showy and vulgar. "The only way to fight American values was to make them appear vulgar and vaguely comic" (Berton, 1982:58). Canadians see themselves as a peace-loving, tolerant nation and, in this view of themselves, there is an assumption of moral superiority to their more affluent neighbours (Mahant and Mount, 1984).

It should not be assumed that Canadians' anti-American feelings are peculiar to the Canada-U.S. relationship. While there are specific reasons or causes for these feelings, the in-group out-group literature suggests that it is quite common for any two groups to ascribe positive traits to themselves and negative traits to the other group. Rajecki (1982:195) states,

> It is a fair working hypothesis to say that any time any two groups are aware of one another's existence there is a potential for some sort of bias and the possibility for discriminatory behavior ranging anywhere from mild disdain to open warfare.

One investigation into national stereotypes and attitudes offered subjects a list of attributes and asked them to indicate which they considered characteristic of a given nation (Hunyady, Hann, and Porze, 1980). They found that a majority of people described their own nation in terms of only positive traits, but when characterizing other peoples, subjects were more critical, and often gave hostile, prejudiced answers (Hunyady et al., 1980).

Additional Literature

Two other articles have been written, which discuss the cultural assumptions underlying the management practices in the United States only. Although a direct comparison with Canada was not provided, the information was considered relevant to the topic.

In one article, Meyer and Thorne (1987), two psychologists from a U.S. consulting firm, have written about the attitudes and outlook of the U.S. manager. They noted,

> Americans today are as optimistic as ever. Their "can do" posture prepares them for action and decision, in a world where no mission is impossible and where every problem is an opportunity, where every cloud hides a silver lining.

They suggest that to the more cautious, circumscribed executive, this can seem rash, shallow and unconsidered. This is interesting because the latter characteristics have often been used to describe Canadians.

Meyer and Thorne discuss other unfamiliar U.S. management quirks that companies must learn to deal with.

> One consistent pattern of behavior that seems universally recognized is the American need for decision. "Better a bad decision than no decision" really is part of the ethos of American business. The debate and discussion of issues is often heated but seldom sustained for long. Advocacy and argument rather than the search for truth and consensus are the natural consequences of native individualism buoyed by optimistic pragmatism. (p.112)

Moreover, American managers also have a need to win:

> "We had a fight and I lost" is not the statement of an American suffused with doubt or dismay, but of a person who intrinsically believes that he will win next time. His ego was not involved. (p.114)

The advantage of having the capacitv to keep personal self-image out of the business frame is that it makes Americans open to criticism and willing to learn. Meyer and Thorne suggest that, once again, this shows their implicit optimism.

> ...ignorance is not something to be concerned over, nor to protect from general view. because it is purely a temporary condition....Change is welcomed rather than tolerated, as therefore is the need to learn...They welcome movement, because as optimists the next thing has to be better. (p.114)

For companies considering doing business in the United States, Meyer and Thorne have cautioned that every U.S. manager is a capitalist. Each individual is driven by the prospect of advancement. Few adhere to any other ideology. This means mobility is a must, and that incentives are key to managing the U.S. manager.

Finally, they stated (p.114), "Never hesitate. Being circumspect and decorous has caused many failures. Their prime advice? "Get in amongst the managing group, do not respect their privacy, go for early decisions, especially about people, and stay close to the outcomes."

Newman (1972) has also has written an article outlining the cultural assumptions underlying U.S. management. He has suggested that one belief underlying much of U.S. management is that people can substantially influence their futures. Newman (1972:86) suggested, "The typical American believes that he has considerable choice in what he does, and through this, in what happens to him." "In fact, we are perhaps overly optimistic about our ability to control our own destiny." He has labelled this the "master of destiny" viewpoint, which is in sharp contrast to the fatalistic viewpoint found in some other cultures. Some of the other key cultural values underlying U.S. management that Newman discussed were the following: a commitment to winning; a belief in the timeliness of action; a belief that rewards come from persistent hard work; a belief in rewarding merit/achievement; and, a belief in competitiveness.

Empirical Studies

There have been very few empirical studies comparing the values held by most Canadians with those held by most Americans. However, the results of the only three studies found will now be discussed.

Rokeach (1973) tested college men in four countries on 36 values that were selected to be reasonably comprehensive and universally applicable. The results are relevant to the hypotheses put forward by Lipset (1963) concerning cultural differences between the U.S. and Canada. Lipset suggested that Canada was lower than the U.S. on egalitarianism and achievement. Consistent with this, Rokeach found Americans to have an orientation towards materialism.

competition and achievement. American college men cared more for a comfortable life, social recognition, and being ambitious than Canadian college men.

The Canadian students were considerably less achievement-oriented than students from the U.S. They placed a lower value on a sense of accomplishment and wisdom, and on being ambitious and capable. Indeed, ambitious and capable were ranked eleventh and twelfth by Canadians, whereas they were ranked third and fifth by Americans, respectively. "Instead, they (Canadians) rank relatively higher aesthetic values and values that emphasize love, peace of mind, personal happiness, honesty, and independence" (Rokeach, 1973:92). Rokeach notes that it is not clear whether the lower achievement orientation in Canada arises from a lesser optimism about the future, from a greater caution, reserve and restraint, or from their greater appreciation of other values.

Contrary to Lipset, Rokeach's data show that "...Canadian students are more rather than less egalitarian than American students, and also that they value freedom and independence more and self-controlled less than American...students" (p.93). Therefore, there is clear support in Rokeach's data for Lipset's suggestion that Canadians are less achievement-oriented than Americans. However, the Canadian students were found to be "more for equality" than their American counterparts. These results are reconciled in that Canadians have a higher regard for equality of result, while Americans are more achievement-oriented. These findings about Canada and the United States show how values differ in different cultures and provide evidence for the proposition that common cultural experiences are important determinants of these values.

A more well-known empirical study of national cultural differences is Hofstede's (1980a). Although it has some limitations, it will most likely "...stand as one of the major landmarks of cross-cultural research for many years to come" (Triandis, 1982:90). It should be noted that while this study is also part of the cross-cultural literature reviewed in Chapter 3, it is discussed here because it is related to Canada U.S. differences. In addition, although the study involves several countries, it is one of the few that includes both Canada and the U.S. and can be used as a basis of comparison.

Hofstede obtained research data by comparing the beliefs and values of employees within the subsidiaries of a large multinational corporation in 40 countries around the world (Hofstede, 1980a). Through theoretical reasoning and statistical analysis, Hofstede found four criteria on which the national cultures differed. These criteria, or what he labels dimensions, are:

> 1. Power Distance - the extent to which society accepts the fact that power in institutions and organizations is distributed equally.
>
> 2. Uncertainty Avoidance - the extent to which a society feels threatened by uncertain and ambiguous situations and tries to avoid these situations. Where Uncertainty Avoidance is strong, people have higher anxiety and aggressiveness levels that creates a strong inner urge to work hard.
>
> 3. Individualism - Collectivism - Individualism implies a loosely knit social framework in which people are supposed to take care of themselves and of their immediate families only, while collectivism is characterized by a tight social framework in which people distinguish between in-groups and out-groups. They expect their in-group to look after them and are, in return, loyal to it.
>
> 4. Masculinity - Femininity - Dominant values in a society labeled masculine are assertiveness, acquisition of money and things, and **not** caring for others, the quality of life, or people. (Hofstede, 1980b:43-46)

Two of Hofstede's findings are particularly interesting. The first is that while the U.S. and Canada were found to be similar on the four dimensions, there were definite differences between them. Secondly, the two dimensions where they differed the most were the individualism index and the masculinity index.

The United States occupied the most extreme position on the individualism scale, making it **the** most individualistic country in the study. The results showed three other countries (The Netherlands, Great Britain, and Australia) to be more individualistic and, therefore, more similar to the U.S. on this dimension than Canada. Similarly, on the masculinity index, the U.S. was found to be more masculine than Canada. These findings are consistent with propositions made by other authors who have not done empirical work of this nature. For example, scoring highly on the following statements which reflect the individualism dimension, ("There is emotional independence of individuals from organizations or institutions"; "The emphasis is on individual initiative and achievement"; "Value standards should apply to all (universalism)"), adds credence to previous attributions that the U.S. is distrusting of government and big business institutions, and that its two primary values are achievement and equality of opportunity. In addition, masculine statements such as "Independence is the ideal", "money and things are important", "Performance is what counts", and "You live in order to work", are also consistent with previous conceptions of the U.S..

Canada also had a higher uncertainty avoidance than the U.S., perhaps reflecting its lower willingness to take risks.

A third study relevant to this topic has recently been done by Wright (1990). In this study, Wright used Hofstede's instruments, but unlike Hofstede, Canada was the focus of the study. She found more extreme scores for Canada than those found in Hofstede's study. Her findings indicated that the largest difference found was on the Power Distance dimension. Canada came out much lower on this dimension than it had in Hofstede's study. A summary of the differences between the Canadian and American cultures discussed in the literature is presented in Figure 3.

The purpose of the previous section was to highlight the differences between the U.S. and Canada, not to downplay the similarities. The similarities between Canada and the U.S. are easy to explain. Both nations are largely urbanized, heavily industrialized, politically stable, have many of the same ecological and demographic conditions, and about the same level of economic development. Furthermore, "Canadians watch many of the same television programs, eat at the same fast food chains, cheer the same hockey and basketball teams as do Americans..." (Mahant and Mount, 1984:253). Many Canadian workers belong to U.S.-based unions; professionals

FIGURE 3

CANADA-U.S. CULTURAL DIFFERENCES - THE LITERATURE

Code: U.S. > C. = the U.S. is believed to have a stronger orientation, or a higher score on this factor than Canada; If U.S. < C., the opposite is true.

1. Achievement Orientation (U.S. > C)
   Lipset (1963, 1989), Rokeach (1973), Meyer and Thorne (1987)

2. Level of Aggressiveness (U.S. > C)
   Lipset (1963, 1989), Rokeach (1973)

3. Level of Optimism (U.S. > C)
   Lipset (1963b), Berton (1982), Meyer and Thorne (1987)

4. Action Orientation (Belief in the Timeliness of Action) (U.S. > C)
   Newman (1972)

5. Belief in Hard Work (U.S. > C)
   Newman (1972)

6. Attitudes Toward Authority (government)
   negative attitudes toward government, questioning of authority (U.S.)/positive attitudes toward government, deference to authority (C)
   Berton (1982), Lipset (1968, 1989)

7. Belief in Competitiveness (U.S. > C)
   Godfrey (1986), Newman (1972)

8. Risk Propensity
   positive attitudes toward risk (U.S.) / hunger for security (C)
   Lipset (1987, 1989), Berton (1982), Godfrey (1986)

9. Masculinity Dimension (U.S. > C)
   Hofstede (1980), Rokeach (1973)

10. Uncertainty Avoidance Dimension (U.S. < C)
    Hofstede (1980)

11. Individualism/Collectivism Dimension (U.S. more individualistic than C)
    Hofstede (1980), Lipset ('968), Rokeach (1973), Godfrey (1986)

12. Power Distance Dimension (U.S. < C)
Hofstede (1980), Wright (1991), Lipset (1968, 1989), Rokeach (1973)

13. Commitment to Winning (U.S. > C)
Meyer and Thorne (1987); Lipset (1963, 1989)

14. Mastery Over One's Environment (U.S. > C)
Newman (1972)

15. Conservatism (U.S. < C)
Lipset (1963, 1989), Berton (1982)

16. Attitudes Toward Equality
(U.S. more egalitarian) Lipset (1963, 1989)
(C more egalitarian) Rokeach (1973)

17. Attitudes Toward Rules (U.S. less positive about rules than C)
Lipset (1963, 1989)

(1) See note at end of chapter.

Figure 3. Canada-U.S. Cultural Differences - The Literature

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belong to the same professional organizations, and read the same technical publications as do their American counterparts; and, Canadian researchers often receive grants from American foundations. Therefore, perhaps what is more difficult to explain is how distinctly Canadian and American values came about and have persisted within a North America-wide cultural milieu. This is the topic of the next section.

2. THE ORIGINS OF THE CULTURAL DIFFERENCES

To better understand the implications of the U.S. - Canada cultural differences, it is important to understand how they came about. Nations vary in their central value systems, as a result of differing historical experiences, or events that set one process in motion in one country, and a second in another. Although many factors in the history of Canada and the United States have determined the current variations between them, four particular factors may be singled out:

A. the varying origins of their political systems and national identities (Revolution and Counter-revolution)
B. the impact of religious backgrounds
C. the need for survival - climate geographic disparities
D. ethnic background of the peoples

A. Revolution/Counter-revolution

Several writers account for the value differences between Canada and the U.S. by suggesting that they stem largely from the revolutionary origins of the U.S. and the counter-revolutionary history of Canada -- two disparate founding ethos. The U.S. is what Lipset terms, **The First New Nation**, because it was the first colony to successfully revolt against colonial rule. The democratic-republican party believed in totally dissociating the U.S. from its former rule. After doing so, the U.S. felt that it needed to create a national character and style. Consequently, all sections of the U.S. were formed out of unsettled frontier without any traditional class structure or significant aid or control from a central government.

The revolution in the U.S. led to a new value consensus among Americans and a new awareness about what they were. Americans believed in the "true American" governed by an American creed or ideology, which was geared to abolish all forms of privilege and to reward achievement. Status was to depend on achieved, not inherited, qualities (Lipset, 1963). Therefore, American values have engendered a strong positive orientation toward hard work and economic development - the belief that one could get ahead by hard, continuous work, frugality, self-discipline, and individual initiative (Lipset, 1963). By being effective at gaining economic independence, the United States gained legitimacy as a new nation.

The U.S. developed a political ideology formulated around the values set out in the Declaration of Independence. Americanism became and has remained a political ideology (Lipset, 1989). Canada differs in the way its national identity was established. Canada refused to join the revolting American colonies in 1776, choosing a more conservative path. There is no ideology of Canadianism. The country gradually evolved as an independent nation. Confederation was not an act in defiance of the British Crown. Rather, Canada arrived at freedom through evolution and allegiance, not revolution. Therefore, its final governing force is tradition and convention. In general, the value orientations in Canada, "...stem from a counter-revolutionary past, a continuing need to differentiate itself from the United States and the influence of monarchial institutions..." (Lipset, 1963:14). Canadian confederation was designed to counteract democracy and to ensure liberty from the U.S. Canada had a self-serving elite that gained by keeping close ties to the mother country, and by deliberately playing down egalitarianism and individualism. The leaders of confederation were monarchists who favored a strong state. Loyalists formed the backbone of the force against the U.S.

As a result, Canada has no revolutionary tradition. It was felt that the democratic movement was liable to draw Canadians closer to the U.S., so the American values of equality and individualism were played down, so as to not undermine national integrity. In addition, Canada felt the need to employ counter forces to guard itself from the expansionist tendencies of the U.S.. This need for counter forces has largely contributed to Canada's respect for the institutions of law and order, as well as its greater tolerance of economic inequality and social stratification. This was also derived in part from elitism and the monarchial influence.

Moreover, the greater respect for government and political leaders is derived in part from these historic circumstances. A highly centralized, strong government was created to discourage American take-over, and to ensure national survival. This "...inhibited the development of strong economic individualism as a dominant political virtue" (Lipset, 1963:26). Therefore, creeds of American political life, such as individual rights, local autonomy, limitations of executive power, have not been strongly supported within the Canadian political system.

Similarly, Canadians' greater caution, reserve and restraint can be explained by such forces. Canadians had to exhibit a spirit of cautious defensiveness to protect what might be snatched away. In addition, Canada's early political history involved the continuance of traditional "Tory" values and the defeat of radical reform, which was occurring in the U.S. The Loyalists in Canada, who were loyal to Britain and the Conservative party, had a disproportionate influence to their numbers. However, at one point in history, Ontario was prepared to become predominantly American, until the U.S. declared war on Britain and tried to seize Ontario (Upper Canada) by force (Berton, 1982). This made America an enemy Canada had to guard itself against. Therefore,

> the failure of Canada to have a revolution of its own, the immigration of conservative elements and the emigration of radical elements, and the success of colonial Toryism in erecting a conservative class structure all contributed to making Canada a more conservative and rigidly stratified society. (Lipset, 1963:87)

Once these events (revolution and counter-revolution) had formed the structure of the two nations, their institutional characteristics were set.

B. The Impact of Religious Backgrounds

At the root of American political and social values is the distinctive Puritanism of the early New England settlers -- the concept of the individual along with God, unaided by an intermediary (i.e. a priest, etc.). Underlying this was the notion of self-reliance and the responsibility of the individual. In addition, the Puritans brought values with them that were conducive to capitalism. Therefore, the spirit of capitalism was present before the capitalistic order (Lipset, 1989). In the U.S. the emphasis of religion was on voluntary associations, that were not supported by the state. Indeed, the majority of the population belongs to the sects as opposed to the various denominations that were or are state churches: Anglican, Catholic, Lutheran and Orthodox. The U.S. was the first country to allow this. In fact, the elimination of established religion in the U.S. greatly strengthened religion there. As Lipset (1989:79) notes, "Voluntary institutions that rely on their members for funds and that compete with each other for support are likely to be stronger than those supported by the state.

In Canada, by contrast, "The majority of the Canadian population adhere to churches, not sects, to denominations that are hierarchical and have a long history of state support" (Lipset, 1989:80). Canadian religion was (and is) dominated by church (Anglican and Catholic) and ecumenical (United Church) traditions (Lipset, 1989). Indeed, Canada had relatively sophisticated church systems and, as such, Canadians had the security of reliance upon a church establishment -- a controlling system, with detailed codes of behavior. In addition,

> Both the Church of England and the Roman Catholic Church, in return for government support, endorsed the established political and social orders up to the post-World War II era. Hence, there were mutually reinforcing conservative forces at the summits of the class, church, and political structures. (Lipset, 1989:80)

For example, in English Canada, the Anglicans helped form the founding ethos of the country and to legitimize monarchy, aristocracy and British constitutionalism. They condemned mass democracy, egalitarianism, republicanism and revolution (Lipset, 1989). Also, "The conservative, counter-revolutionary, "law-and-order" identity of English Canada is at least in some measure the legacy of the Anglican church" (Lipset, 1989:80). In conclusion, the religious practices and institutions within a country can reinforce the general value orientations prevalent in that nation. The differences between religion in Canada and the United States are large and clear-cut. Whereas, Canadians adhere to two churches -- the Roman Catholic, and the Anglican -- and the churchlike Protestant denomination (United), Americans remain under the strong influence of the

Protestant sects. Once again, the U.S. made a dramatic break with England and set out to establish a distinctive nation. Canada lacks this sense of inspired singularity. Clearly, the different religious traditions of the two countries have played a role in defining the varying value orientations of Canada and the United States.

C. Need For Survival

In a recent lecture, Seymour Martin Lipset (1987) referred to a theme in Canadian novelist Margaret Atwood's books, that he felt appropriately symbolized Canada. That theme was survival. "In Canada, they are always taking the national pulse -- not how well its doing, but if it is still alive" (Lipset, 1987). Much of the way Canadians think and behave is a result of their preoccupation with "surviving", "hanging on", or "staying alive". For example, because it has been necessary to survival, Canadians do not view the Canadian government as an enemy. Geographic factors, such as the Canadian climate and its small population, have increased government involvement in Canada, making it more welfare-oriented than the U.S. government. These characteristics have also contributed to the attitude in Canada that citizens have a right to such aid.

D. Ethnic Backgrounds

Canada is occupied by a relatively small number of people with extremely varied ethnic backgrounds. The bulk of the population is composed of two major sociocultural and linquistic groups -- those of British origin and those of French origin. The remaining 25% is made up of numerous racial and ethnic groups which have retained a great deal of their cultural backgrounds (Berry, 1973). When the British allowed the French to retain their customs, culture, language and religion, they set the future nation of Canada on a special course (Berton, 1982). Furthermore, government policies were put into effect which promoted acceptance of this dualism and institutionalized it. The ideology of dualism and pluralism affects the behavior of those in Canada.

Canada's "French fact" is sometimes cited as an explanation for Canada's cultural diversity, but there are parts of the U.S. that are almost as bilingual and bicultural (in Spanish and English) as there is in any part of Canada (Mahant and Mount, 1984). Perhaps it is not bilingualism or multiculturalism but the composition of the ethnic mix that is the determining factor.

How Are The Differences Maintained?"

One can easily understand how historical roots can create a deeply ingrained national culture. However, how are national cultures maintained or perpetuated? In Part I of this paper, it was suggested that attitudes and, even more so, values are very difficult to change. Also, once historical events determine the nation's values or culture, they take shape in institutions. That is, because culture is shared mental programming, it becomes crystallized in the institutions people of a nation build together. For example, nations use values to legitimate their political structures and then those values become part of their political institutions. And,

> as a society becomes more complex, its institutional arrangements make adjustments to new conditions within the framework of a dominant value system. In turn, the new institutional patterns may affect the socialization process which, from infancy upward, instills fundamental character traits. Through such a process, changes in the dominant value system develop slowly -- or not at all. There are constant efforts to fit the "new" technical world into the social patterns of the old, familiar world (Lipset, 1963:103).

Therefore, at the national level, cultures or value systems established from historical events will, in turn, determine later events. In other words,

> any value system derivative from given sets of historical experience, institutionalized into religious systems, family structures, class relations, and education will affect the pace and even the direction and content of social and economic change. (Lipset, 1968:42)

Variations in the development of the U.S. and Canada have not only created, but have sustained structures carrying these values. Their continued existence may also be attributed to simple conformity. Indeed, many of the basic attitudes and values shared among a nation may never be questioned. If this is in fact the case, then cultural change may require the same principles as outlined in Part I of the paper. The process of changing the shared attitudes and values of a nation requires the establishment of a need to change; old attitudes must no longer be appropriate or serve the function they once did.

Gaps in the Literature

It appears that much has been written about **individual** attitudes (and values, to some extent), but much less is known about societal attitudes and values, or national culture. This is obvious by the lack of empirical studies available which have investigated culture. In addition, perhaps due to their assumed similarity, the United States and Canada have been ignored with respect to one another from a cultural perspective.

Furthermore, the literature that does exist on the Canada-U.S. relationship is characterized by two factors. First, it tends to discuss the relationship from a policy or economic (trade, power relations, politics, etc.) level of analysis, and frequently concentrates on promoting cooperation and or congruence between the U.S. and Canada on these broader issues. There is little, if anything, written at the business level of analysis.

In addition, most of the literature is unidirectional -- it tends to focus on U.S. companies moving into Canada and not on Canadian companies moving into the United States. Furthermore, what is written for Canadians, about doing business in the United States, tends to focus on legal and political issues that businesses must be aware of to operate in the United States (see Opton and

Feiler, 1984). The cultural, or "people" aspects have, for the most part, remained untouched by investigators.

3. IMPLICATIONS

The previous section outlines several important cultural differences between Canada and the United States. There is reason to believe that the cultural differences could be affecting the ability of Canadian retail firms to operate successfully in the United States market, through their impact on ways of doing business. Support for this view comes from Canadian executives and others who have commented that it is very difficult doing business in the U.S., even though the Canadian and American cultures are similar. A recent seminar at the National Centre for Management Research and Development, at the University of Western Ontario, on "Doing Business In The United States", confirmed that there are significant differences in the attitudes of Canadian and American employees, customers and competitiors. For example, the speakers generally agreed that U.S. workers were significantly less unionized, less demanding in terms of wage levels and benefits, and "more positive towards productivity enhancement" (Leighton, 1987). In addition, the attitudes of Canadian management versus American management were seen to be quite different. Therefore, it would appear that Canadians have something to learn from Americans and vice versa.

A recent article, "The Crucible" (1987), has outlined the comments of several leading Canadian businessmen about doing business in the United States. Kevin McBurney, a partner with the Vancouver office of Caldwell Partners, an executive recruiting firm, has noted several important differences between New York and Canadian business centres, that Canadian companies should be aware of. The style of doing business is "vastly different", he said. There are much higher expectations in U.S. organizations: "Business is done over breakfast, lunch, dinner, intermission at the opera, limousines to the airport...everywhere." Furthermore, he has found that in New York businessmen will push the edge with respect to ethics.

> When you're in a highly competitive field, making complex deals, there are probably ten other people waiting to do the same deal. (To close the deal) may cost you in more dollars, or it may cost in terms of bending the rules.

With respect to the businessmen themselves, he noted, "This is an incredibly active, creative, energetic, and intense environment and attracts those kinds of people. People with chutzpa, aggression, tenacity, and talent."

Brian Moss, president of Canadair, the U.S. subsidiary of Montreal-based Canadair Ltd., has commented that compared to Canadian centres, "Everything is very structured, with a more arm's-length way of dealing. Not hostile, but less effusive, less eye contact...virtually no relaxation." For a Canadian firm to do business in New York, "..there is usually a period of adjustment as (s)he learns the way things are done."

Nigel Hillyard, Managing Director for DMR Associates, Inc. a subsidiary of DMR Corporate Management of Montreal, had been in New York for about a year. He was struck by the difficulty of establishing a presence in that market:

> Getting access to the marketplace is a challenge....And, it starts with getting in to see decision-makers. This is such a competitive market, with so many people wanting to see that same individual that they have to pre-screen you....Once you get in, though, you find a very sophisticated buyer. They respect quality, they understand the issues that they are facing, and they are demanding....It's definitely a market where you can't just parachute in. It's a bit of a slow process to build the rapport. I would advise companies to use people who have already worked in the market, because the established relationships they have will be very important.

Hillyard also noted the importance of having a clearly defined strategy before jumping in. "The markets, and there are really a number of them, are immense. So you have to define yourself geographically as well as other ways." Therefore, unless prepared for the different type of market, and the different type of person, one will be faced with, Canadian companies could find themselves shocked by, and unprepared for, a business culture, that they thought was very similar to their own.

Furthermore, Doran (1984) suggests that the psychological and cultural considerations are undervalued in the U.S. - Canada relationship.

> Of the major dimensions underlying the United States - Canada relationship, the psychological-cultural dimension is most important, because it is more determinative of outcomes than the trade-commercial or the strategic-political dimensions and because it is the most complex. (p.85)

Not recognizing the cultural difference would mean that Canadian companies would enter the U.S. market believing that the two countries could be managed in the same way. In fact, Craig (1968:preface) writes,

> The main difficulty of relations between the U.S. and Canada which are really relations between individual Americans and individual Canadians is that we assume there are no difficulties. We simply take for granted that there are no differences. There are difficulties, though not of the magnitude of those profound -- and far-reaching antagonisms that have grown between the U.S. and the Soviet Union or between the U.S. and China. Indeed, ...they are no more than family difficulties. But family difficulties can be hard to clear up, especially if they're not really faced.

With knowledge of the differences between Canada and the U.S., as well as their implications for doing business, retailers could more effectively manage in the U.S. Not understanding the U.S. market could lead to failure.

The literature suggests that Canada and the United States possess different national cultures. What is of interest to managers is whether these differences translate into different business practices which, in turn, affect performance. In the next chapter, the concepts of attitude, value and culture will be discussed at a more practical, managerial level. In Chapter Three, it will become clear how a manager's attitudes and values affect his business behaviors. It is also made clear how the culture a manager lives in, has an impact. Given this, insights for managing cross-culturally are developed.

Footnotes

(1) When the term "American" is used, it refers to those from the U.S.A., not from Canada and the U.S.A. The term "North American" refers to those from both Canada and the United States.

CHAPTER 3 - A MANAGERIAL PERSPECTIVE

INTRODUCTION

The purpose of Chapter Two was to provide the reader with a general understanding of the concepts of attitude, value and culture, and to present the literature comparing the Ca...n and American cultures. The present chapter is concerned with the importance of these concepts from a managerial perspective. It is divided into three sections. Section One will begin by discussing the impact that a manager's attitudes and values have on his or her behavior, including his or her strategic decision making behavior. Then, because each manager's personal value system is developed in part by the culture he she lives in, the literature describing the linkage between culture, managerial values and behavior will be discussed in Section Two. Finally, because culture affects the managerial values and behavior in each country differently, this chapter concludes with a summary of the literature relevant to managing cross-culturally.

SECTION ONE

THE EFFECT OF MANAGERIAL ATTITUDES AND VALUES ON BEHAVIOR

The impact of attitudes and values on managerial behavior has rec... d an increasing amount of attention from practitioners (Harman & Jacobs, 1985; Peters & Waterman, 1982; Saibert & Proctor, 1974) and academics alike (Hambrick and Mason, 1984; England, 1978; Posner & Munson, 1979; Rokeach, 1973; England, 1973; England and Keaveney, 1969; McMurry, 1963). England (cited in Graves, 1973:26) has suggested that a manager's values can affect him/her in several ways. A value system may:

(1) influence the way a manager looks at other individuals and groups of individuals.

(2) influence a manager's perceptions of situations and problems.

(3) influence a manager's decisions and solutions to problems.

(4) may set the limits for the determination of what is and what is not ethical behavior by a manager.

(5) influence the extent to which a manager will accept or will resist organizational pressures and goals.

(6) influence the perception of individual and organizational success as well as their achievement.

Although it is clear that attitudes and values can affect many managerial behaviors, this research was concerned with the strategic decision of Canadian retail firms to enter the United States market, and the subsequent related decisions, to determine whether attitude, value and cultural factors played a role in their success or failure. Therefore, the literature deemed most important to this topic focused on how values affect strategic decision making.

However, the decision making literature did not provide much guidance in this respect, as the strategic decision "process" is rarely studied. "Even when the strategic "process" is studied, it typically is viewed as flows of information and decisions, detached from the people involved" (Hambrick and Mason, 1984:193). Indeed, Huff and Reger (1987) reviewed the strategic decision process literature in seven leading journals over the period from 1980-1986. Although they identified 9 streams of research, they noted that very few researchers have dealt with the cognitive, perceptual or other psychological impacts on the strategic decision making process. Of those who have dealt with this aspect, the impact that executives' perceptions, cognitions, and values have on the strategic decision making process has been recognized as very strong.

Contrary to the view that organizations are swept along by events, or somehow run themselves (Hall, 1977; Hannan and Freeman, 1977), "The view taken here is that top executives matter" (Hambrick and Mason, 1984:193). Indeed, Guth and Tagiuri (1965) have presented a number of examples and case studies that illustrate the ways in which executives' personal values influence corporate strategic choices. They state,

> Some managers may feel that their choices of corporate strategy are entirely objective. This may well be so if they include their personal values among the elements they take into account in their analyses and decisions. For it is quite clear, on the basis both of observation and of systematic studies of top management in business organizations, that personal values are important determinants in the choice of corporate strategy. (p.123)

In addition, England (as cited in Graves, 1973:25) states, "...an individual manager's personal value system makes a difference in terms of how he evaluates information, how he arrives at decisions -- in short, how he behaves." But, because managers' values are such an intrinsic part of their lives and behaviors, they are often unaware of them. Yet,

> .....values, along with other factors, clearly determine our choices, as can be proved by presenting men with equally "reasonable" alternative possibiiities and comparing the choices they make. Some will choose one course, others another, and each will feel that his election is the rational one. (Guth and Tagiuri, 1965:123)

Indeed, some of the most critical decisions a manager makes involve personal values. "Transparent unless challenged, values provide the scaffolding for the hundreds of decisions made at all levels of the organization every day" (Posner et. al, 1987:374). Managers' beliefs and values can act as filters through which management perceives the realities facing its firm (Donaldson and Lorsch, 1983). They also affect the way in which a manager searches and filters data used in decision making. That is, not only are managers' decisions limited by the objective constraints of the firm, but they are also limited by the psychological constraints of their own value and belief systems. They cause executives to prefer certain behaviors and outcomes over others. Options that run counter to a manager's personal value system are often never considered. Therefore, values direct the decisions and actions that occur in organizations on a daily basis.

Bourgeois (1985) notes that the executives' perceptions are important in determining strategy. However, perceptions are often inaccurate. When perceptions do not reflect actual environmental conditions, this imbalance can lead to failure

Moreover, Schwenk (1984) has noted that executives use cognitive simplification processes when making strategic decisions, to deal with the complexity, ambiguity, and uncertainty with which they are faced. In particular, he looks at three stages of the strategic decision making process: goal formulation problem identification (Stage I); strategic alternatives generation (Stage II); and evaluation and selection (Stage 3). Within each stage, there are several simplification processes possible, as shown in Figure 4. By using such processes, he shows the effects on executive strategic decision making, which differ from rational normative ideals.

In addition, Walsh and Fahey (1986) have shown how belief structures (the beliefs or assumptions that underscore a strategic decision) (1) affect the strategic decision making process in that they may act as decision-making blinders. At the same time, Walsh and Fahey (1986:326) note that, "Without these structures, the decision maker would confront the information equivalent of white noise". Therefore, the challenge is not to eliminate belief structures but to learn how to circumvent their hazards and use them effectively.

Recently, the attempt to explain corporate performance variability has focused upon not only the values of the Chief Executive Officer (CEO), but on the impact of the values of the dominant coalition within the top management team. Although few would dispute the fact that in most firms the CEO holds the most power, Hambrick and Snow (1977:109) state that, "Strategic decisions are seldom made by the chief executive acting alone - they are usually the product of the dominant coalition, the most influential members of the top-management group.' Therefore, it seems logical to assume that the top management group's attitudes and values would affect firm

FIGURE 4 - COGNITIVE SIMPLIFICATION PROCESSES

Stage I Goal formulation/problem identification Process	 Effect	Stage II Stragetic alternatives generation Process	 Effect	Stage III Evaluation and selection Process	 Effect
(1) Prior hypothesis bias	(1) Evidence ignored gaps not perceived	(1) Single outcome calculation	(1) Restricts alternatives to a single one	(1) Representativeness (a) insensitivity to predictablity (b) insensitivity to sample size (c) illusion of validity	(1) inaccurate prediction of consequeces of alternatives
(2) Adjustment and anchoring	(2) Evidence under used, gaps not perceived	(2) Inferences of impossiblity	(2) Premature rejection of alternatives	(2) Illusion of control	(2) Inaccurate assessment of risks of alternatives
(3) Escalating commitment	(3) Significance of gap minimized, strategy not revised	(3) Denying value trade-offs	(3) Biased use of evaluation criteria	(3) Devaluation of partially described alternatives	(3) Rejection of strong but poorly presented alternatives
(4) Reasoning by analogy	(4) Problem misdefined (oversimplified), inappropriate strategy revision	(4) Problem sets	(4) Alternatives restricted		

Figure 4. Cognitive Simplification Processes - Schwenk (1984)

performance, through their impact on strategic decisions. This view, defined by Hambrick and Mason (1984) as the "upper echelon model", contends that the performance of an organization is ultimately a reflection of its top managers. "Organizational outcomes -- both strategies and effectiveness -- are viewed as reflections of the values and cognitive bases of powerful actors in the organization" (Hambrick and Mason, 1984:193).

Moreover, "The amounts of open-mindedness, perseverence, communication skills, vision, and other key characteristics that exist within the team clearly set the limits for how well the team -- and, in turn, the firm -- can operate" (Hambrick, 1987:89). Figure 5 illustrates the theory diagramatically.

To test this theoretical model in full would be very difficult, if not impossible. However, the present thesis research represented an attempt to study a part of this model. This is described in more depth in Chapter Four. Whereas Hambrick examined the link between the more observable characteristics of the executives, their strategic choices, and performance, this study will look at the psychological characteristics of the upper echelon. In particular, this study examines the affect of the upper echelon's national culture on their values, strategic choices, and performance. One advantage of studying the entire top management team is that, "The limited empirical evidence as to whether the top person or the entire team is a better predictor of organizational outcomes clearly supports the conclusion that the full team has greater effect" (Hambrick, 1987:89).

How Do Values Affect Strategic Decision Making?

The process whereby an executive's values affect his/her decisions is the following. A company's strategy is usually formulated by assessing environmental opportunities, risks and company resources. This assessment leads to judgments as to where the company might be

FIGURE 5

ORGANIZATION AS A REFLECTION OF TOP MANAGEMENT

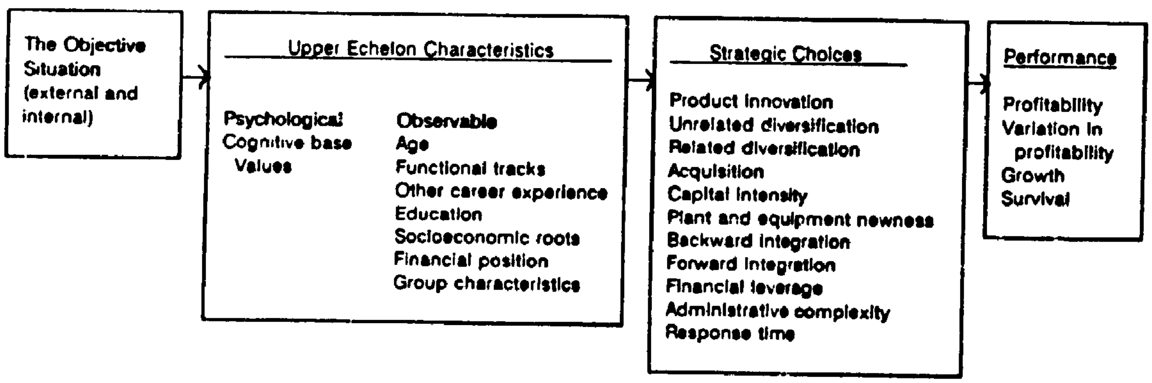

Figure 5. Organization as a Reflection of Top Management Hambrick and Mason

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going over a period of time, if it operates in certain ways. "The individual's system of values is then applied to these judgments, and a choice among the alternative corporate strategies is made" (Guth & Taguiri, 1965:127). Similarly, it could be argued that one's values may even affect the type and amount of information sought in making the assessments.

March and Simon (1958) have argued that each decision maker brings his or her own set of "givens" to a decision making situation. These givens reflect the decision maker's cognitive base and his or her values, which act as principles used to order consequences or alternatives, according to preference. In addition, the givens serve to filter and distort the decision maker's perceptions of what is going on and what should be done about it.

Hambrick and Mason (1984) argue that strategic decision makers face situations which are complex and made up of far more phenomena than they can possibly comprehend. The decision maker brings a cognitive base and values to a decision which creates a screen between the situation and his/her eventual perception of it. Bits of information are selected for processing and are interpreted through a filter woven by one's cognitive base and values. "The manager's eventual perception of the situation combines with his/her values to provide the basis for strategic choice" (Hambrick and Mason, 1984:195).

Therefore, values have an affect on perception, but can also directly enter into a strategic decision choice, because the decision maker may disregard a choice suggested by his/her perceptions, on the basis of values. Figure 6 illustrates the process.

Implications of Management Values Affecting Strategic Decision Making

What are the implications of an organization being a reflection of its upper echelon, or top management team? One major implication is that, "The strategic success of a business depends not on just one person but on the entire top management team" (Hambrick, 1987:106). When an organization faces an increasingly competitive environment, the key to strategic success is the group of people who formulate and implement the strategic decisions. Therefore, if the values of the top executives do not fit with what is required by the competitive environment, the business will encounter serious trouble.

FIGURE 6

THE EFFECT OF VALUES ON STRATEGIC CHOICE

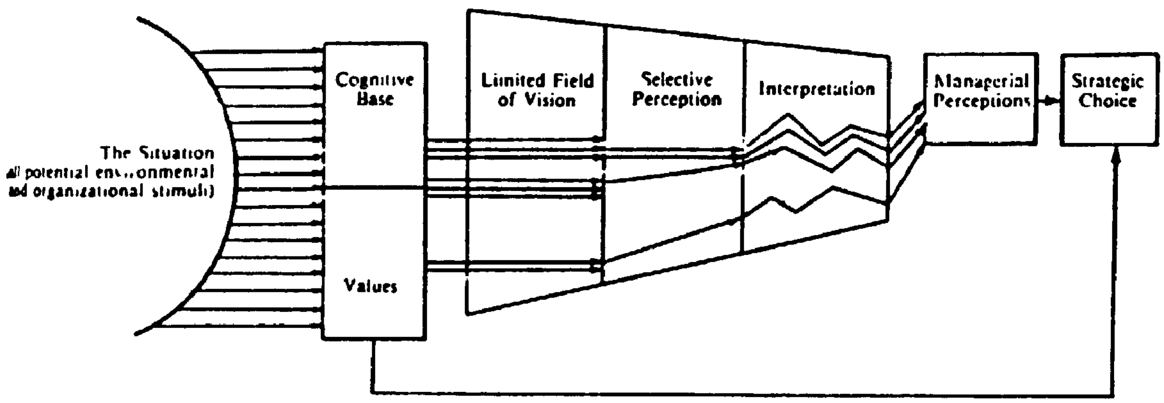

Figure 6. The Effect of Values on Strategic Choice Hambrick and Mason (1984)

That is, not only are manager's decisions limited by the objective constraints of the firm, but they are also limited by the psychological constraints of their own value and belief systems. For example, managers' beliefs and values can act as filters through which management perceives the realities facing its firm (Donaldson & Lorsch, 1983). Individuals can choose their decision making circumstances -- they can construct, eliminate or redefine the objective features of an environment, thereby creating their own measures of reality, and limiting their decisions. The danger occurs when the belief and value system that the top management team has been operating with no longer fits with the objective environment. At this point corporate survival is threatened.

At this point, the operative value system must be restructured and adapted to compete in the new environment. Donaldson and Lorsch discovered many instances in which executives were forced to confront the fact that their beliefs no longer led to successful strategies. However, there were also managers who were blinded to the need for change until it was too late. Donaldson and Lorsch have noted that it often takes very objective economic and financial constraints to stimulate the necessary fundamental change in management beliefs and strategy.

In addition, Snow (1976, cited in Bourgeois, 1985) points out that firms act upon and respond to an environment that their top managements have perceived and interpreted:

> That is, management responds only to what it perceives, those environmental conditions that are not noticed do not affect management's decisions and actions. This...means that the same 'objective' environment may appear differently to different organizations. (p.551)

Therefore, different top management teams can perceive the same objective environment differently. This explains why firms facing very similar conditions often pursue different strategies and, consequently, achieve different performance levels.

Empirical Studies

The following empirical studies provide evidence which supports or contradicts the organization as a reflection of its top management concept. One attempt to test part of the theory comes from Chaganti and Sambharya (1987). They state (p. 395), "Every executive carries a 'bag of tricks' which are believed to work in certain situations. Executives tend to display these in the form of their perceptions, beliefs and values which are based on the executives' previous experiences." Chaganti and Sambharya focused specifically on the relationship between the strategic orientation of three tobacco companies and two background characteristics of their upper echelons -- outsider orientation and functional orientation. Using the Miles and Snow (1978) categorization of prospector, analyzer, and defender firms, they found that each category of firm had upper echelons possessing different orientations. For example, prospectors, compared to analyzers, tended to have stronger outsider and marketing orientations. In addition, defenders distinctly lacked research and development orientations.

Research has also been done which attempts to study top management teams and their affect on organizational performance. However, most of this work has concentrated on the effect of the dynamics of team functioning on organizational outcomes, instead of the effect of top management team values. For example, Hrebiniak and Snow (1982), investigated the link between top management's agreement on firm strengths and weaknesses, and return on assets, and found a positive relationship.

Moreover, Dess (1987) examined the relationship between organizational performance and consensus (or agreement) within top management teams on company objectives, and competitive methods. This was done on a sample of 19 firms, competing within a highly fragmented industry. He found that consensus on either objectives or methods was positively related to organizational performance.

Furthermore, O'Reilly and Flatt (1986) found homogeneity of management led to higher levels of organizational innovation and, in turn, firm performance. On the other hand, Bourgeois (1985) looked at whether heterogeneity or homogeneity of top management team members' perceptions of environmental uncertainty was better for organizational performance. He found that, the better the economic performance, the greater the within-firm diversity, as to both perceived environmental uncertainty, and goals. He concluded that a high level of differentiation of perceptions within top management teams is universally desirable, not just in unstable environments, as Lawrence and Lorsch (1967) suggested.

Similarly, Myers (1974) points out that effective decision making teams are composed of different psychological types who exploit each other's strengths. She states that, "Good teamwork calls for recognition and use of certain valuable differences between members of the team" (p.1). These are differences that result from varied preferences about the use of perception and judgement. Opposite types can supplement each other in any joint undertaking. However, "Too much oppositeness makes it hard for people to work well together. The best team work is usually done by people who differ on one or two preferences only. This much difference is useful, and the two or three preferences they have in common help them to understand each other and communicate" (Myers, 1974:7). Respecting one's opposite helps one to recognize and cultivate one's own less-developed processes.

A summary of the major concepts presented in this section are presented below.

Summary Concepts From Section One

A manager's attitudes and values can affect his her strategic decision making behavior. They.

-determine how executives interpret their environment

-act as filters through which managers process information

-affect preferences leading managers to prefer certain outcomes options over others

-affect perceptions of their environment and their interpretation of information

-act as as a basis for cognitive simplification processes

-create belief structures which may act as blinders to the strategic decision making process

Potential Consequences

-danger occurs when belief structure and value system executives have been operating with no long fits with the objective environment. Unless adjusted, company's survival is threatened.

-when perceptions do not reflect actual environmental conditions, this imbalance can lead to failure.

-executives may become blinded to the reality they are facing, and base their strategic decisions on their perceived reality.

SECTION TWO

THE IMPACT OF CULTURE ON MANAGEMENT VALUES AND BEHAVIOR

To fully understand the relationship between a manager's values and his/her behavior, it must be considered within the larger framework within which the manager operates -- his/her culture. A personal value system is developed through the interaction of the self with the environment or culture (see Chapter 2). Human values, "...reflect faithfully the mores and ideologies of the cultures in which the individual has lived" (McMurry, 1963:131). Furthermore, as Udy (1959, cited in England, 1973:26) states: "Each individual member of any organization has been socialized relative to a larger society, and thus brings with himself into the organization from the outside various expectations and values which inevitably enter into the way he plays his role and interacts with others." Therefore, culture represents an additional important element in the values -- behavior link. It now becomes culture -- values -- behavior. Culture shapes managerial attitudes, values and assumptions which determine behaviors, or how organizations are operated. Adler illustrates this relationship diagramatically in Figure 7.

FIGURE 7

THE INFLUENCE OF CULTURE ON BEHAVIOR

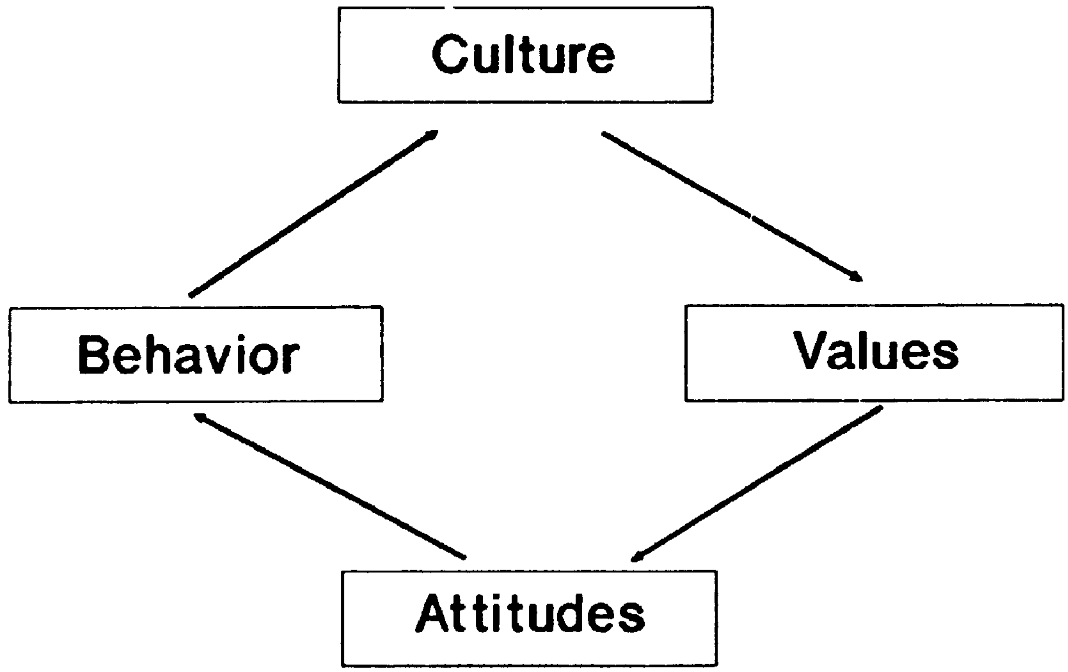

Figure 7. The Influence of Culture on Behavior - Adler (1986)

Support for this position comes from several sources. For example, Hambrick (1984) in discussing management teams suggests that to understand team values, one must look at the context in which team members were raised, educated and acculturated. The cultural and societal factors represent the broader society in which the business operates. He notes that

For the most part, the decision making process at MWWH was ineffective for entering the U.S. market. The major problem areas analyzed in the decision making process are identified and described in Figure 19 as Blocks 1 through 7. These problem areas were termed blocks because they were viewed as the key points at which the company's decision makers had faulty thinking or made mistakes, which contributed to an ineffective decision making process. These areas were determined from the within case analysis of Mark's Work Wearhouse. As further cases are examined, it will become clearer how to avoid these blocks by analyzing the decision making processes of the companies that were successful in the U.S. market.

Many could argue that Mark's Work Wearhouse's failure in the U.S. market was associated with other factors independent of culture and independent of the company's strategic decision making process. For example, the company's performance in the U.S. could be dismissed because it was a small, young company which did not have the stability in Canada, in terms of a well-established structure and systems, to enter the U.S. market. In addition, MWWH entered the U.S. via greenfield site. Because of the difficulties associated with this mode of entry, such as difficulties MWWH had in establishing and building supplier relationships, many would argue that it would have been more successful had it entered the U.S. market via acquisition.

To investigate these questions, the next case chosen for analysis, Canadian Tire Corporation, was very different than Mark's Work Wearhouse in the above ways. First, it is a large, stable company with both a solid organizational structure and well-established systems. Second, it entered the U.S. market via acquisition as opposed to greenfield site. However, despite these factors, Canadian Tire Corporation, like MWWH, was unsuccessful in the U.S. market. Canadian Tire's experience in the U.S. market will now be examined.

manager's own sense of equity which was based on the notion that greater rewards should be given to those individuals who work harder.

The above example shows that managers are often unaware of the impact of their own culture. Indeed, culture "...exerts a pervasive, yet hidden, influence on behavior" (Lane and DiStefano, 1988:4). As a result of different mental programming people from various cultures, "...often see situations differently and have different approaches and solutions to problems. Each tends to believe that his or her way makes the most sense and is best" (Lane and DiStefano, 1988:4). In this case, the values underlying the reward system were not obvious, yet they exerted a great influence on behavior -- the manager's behavior in terms of his choice of a reward system and the workers' in terms of their reaction to it.

The danger in situations such as the one presented above is that frequently managers from one country enter another country and assume that it is like their own. They also assume that they can behave in the same fashion in that country as in their own. According to Lane and DiStefano (1988:33), "When assumptions do not equal perceptions, the feeling is discomfort". The usual reaction to this discomfort is either to distort perceptions, or to alter assumptions. Unfortunately, the more common is the former.

Related to this discussion is the work of Hofstede (1980), which was discussed in Chapter 2 in terms of his findings comparing Canada and the U.S. on four cultural dimensions. Hofstede identifies basic value patterns of cultures around the world and specifically links these values to management theories and practices. Hofstede contends that management theories reflect the cultural environment in which they were written. He provides specific examples of American management theories in the areas of motivation, leadership, and organization. He also provides scores of 40 countries on four cultural dimensions: power distance, uncertainty avoidance, masculinity/femininity and individualism/ collectivism. Depending upon how countries score on his four cultural dimensions, Hofstede argues that the applicability of American management theories would be questionable. Similarly, he argues that many U.S. management practices cannot be transferred. For example, Management by Objectives (MBO) is based on an assumption that subordinates will share their objectives with their superior. This is not realistic in many cultures with rigid hierarchies and strong status differentials. Therefore, he concludes that many management theories and practices, which are primarily American-based, do not necessarily apply to other countries or cultures.

Adler (1986) illustrates the relationship between culture and managerial behavior with the example of business negotiations. Latin Americans touch each other more frequently during business negotiations than North Americans, and both touch each other more frequently than do the Japanese. Thus, she concludes that culture defines people's behavior.

Kluckhohn and Strodtbeck discuss how various value orientations affect managers' thinking and behaving. Specifically, they demonstrate how specific variations of a value orientation yield different management activities. For example, one value orientation, Time Orientation, impacts three managerial activities -- planning, decision making, and rewarding. One's orientation to time can be past-oriented, present-oriented, or future-oriented. This is normally indicated in how one responds to a new challenge. However, people within cultures tend to respond in a similar fashion. Thus, past-oriented cultures will tend to recreate past behavior for planning. In present-oriented cultures, the managers will have shorter term concerns and future-oriented managers are more likely to consider long-term effects. A similar analysis is done for decision making and rewarding and the results are presented in Figure 8.

Moreover, Laurent (1983) studied the philosophies and behaviors of managers in nine Western European countries, the United States, and two Asian countries, and found worldwide differences in managerial style. For example, American managers believed that the purpose of a hierarchy

FIGURE 8

VARIATIONS IN TIME ORIENTATION AND EXAMPLES OF MANAGERIAL IMPACT

ISSUE	VARIATIONS		
Time orientation	Past	Present	Future

MANAGERIAL IMPACT			
GENERAL	SPECIFIC BY VARIATION		
Planning	Extension of past behaviour	Short-term	Long-term
Emphasis in decision criteria	Precedence	Current impact	Desired effects
Reward systems	Historically determined	Currently contracted	Contingent on performance

Figure 8. Variations in Time Orientation--Managerial Impact Kluckhohn and Strodtbeck

was to organize tasks and facilitate problem solving. Therefore, they felt that a flatter organizational structure could work if tasks and roles were clearly defined and the organization was small. However, most Asian managers strongly disagreed, believing that hierarchies are always necessary to indicate to everyone who has authority over whom. These differences could lead to potential problems when American and Indonesian managers attempt to work together. For example, Adler (1986) notes that American managers typically approach a project by outlining the overall goals first, and the staffing needs second. By contrast, Indonesian managers are very concerned with knowing who will manage and who will work on the project first before they can assess the project's feasibility.

Richman (1965) also offers some interesting examples on how culture affects management practices. In his comparative research, he found several cultural variables (or constraints) that he tentatively identified and hypothesized as having a significant impact on the management process, and on managerial effectiveness. They were:

1. View toward business and its managers.
2. View toward authority and subordinates.
3. Interorganizational cooperation.
4. View of achievement.
5. Class structure and individual mobility.
6. View toward wealth and material gain.
7. View toward scientific method.
8. View toward risk taking.
9. View toward change. (p.297)

Richman argued that if these cultural constraints differed among countries they would differentially affect business values and managerial practices, thus making the process and effectiveness of managing in a different country very difficult.

Richman (1965) also classified various common elements of the overall management process, such as: the time horizon of plans; types of performance and control standards used; degree of centralization/decentralization; degree of participative versus authoritative management; communication structure and techniques, etc. He suggested that each of these elements is a function of the cultural variables outlined above.

For instance, from his own studies and others, it was found that there were dominant views of authority, and of subordinates, in different countries, shaped largely by various underlying cultural conditions. These dominant views led to dominant patterns of managerial behavior, such as the degree to which management authority was centralized vs. decentralized; and, the degree to which managements tended to be autocratic or participative.

Donaldson and Lorsch (1983) discuss how the country or culture the management grows up in affects their views of risk and reward, as well as the trade-off they are willing to make. In some countries, the decision to borrow up to the lender's limit will raise fears of capital market dependency for some managers, but will create none for others.

Lorsch (1986) points out that culture affects the decisions managers make about the organization's relationship with its environment. His central argument is that culture has a major impact on corporate strategy.

Moreover, culture can also affect certain dynamic behavioral factors, that determine managerial effectiveness. For instance, the ease or difficulty of obtaining personnel with the desired skills and abilities can be affected by the culture. Some countries do not support or do not have the resources available for education. One intuitively expects a firm to be able to hire high school and college graduates in Canada, but this is not necessarily true in other less developed countries. This factor will, in turn, affect almost every important aspect of managerial and business life, such as goal setting and decision making, organization, centralization vs. decentralization, costs of production, etc. Even Canada and the United States differ, albeit to a much lesser extent. The U.S. school system is generally considered to be more competent and demanding (Malcolm, 1985) and U.S. citizens have more opportunity and are more encouraged to educate themselves at the university level than Canadians.

Culture also affects other dynamic behavioral factors that determine managerial effectiveness, such as: the ease or difficulty of motivating employees; the ease or difficulty of introducing change or innovation; and, the degree of information distortion and ineffective communication within the company.

With respect to achievement motivation, there is evidence that some countries have a low achievement drive, whereas others have a high one. More specifically, however, people in a country are affected by dominant cultural values, including religious beliefs, class structure and attitudes toward work. For example, if a people adhere to the protestant ethic, this could affect the ability to motivate in that country. Moreover, in collectively-oriented countries such as Japan, management might be wise to emphasize group or collective achievement, rather than individual achievement, as is typically done in U.S. industry and business.

The dominant view toward change in a particular country may also have considerable relevance for international business management. People all over generally resist change. However, there are some indications strongly suggesting that purely cultural factors tend to result in significantly greater opposition to change in some countries. For example, "... human resistance to change in India tends to be significantly greater than in the U.S., largely for cultural reasons" (Richman, 1965:301). Similarly,

> In certain cultures, such as the United States, managers perceive most situations as problems to be solved; as opportunities for improvement through change. Other cultures, such as the Thai, Indonesian, and Malaysian cultures, tend to see no need to change situations, but rather to attempt to accept situations as they are (Adler, 1986:135).

The types of change made can also be affected by culture. For example, European managers are inclined to look at the past and the present when formulating change solutions, whereas, American managers focus on the present and the future (Nowotny, 1964).

One of the results of culture affecting management practices is that managers experience some form of culture shock upon entering and operating in another culture. Culture shock is "...a behavioral pattern associated with a loss of control and a loss of sense of mastery in a situation" (Lane and DiStefano, 1988:63). Although diligent preparation can modify its effects, "...most experts agree that some form of culture shock is unavoidable" (Lane and DiStefano, 1988:62). Reactions can include anger and negative evaluations of "strangeness" and symptoms include fatigue, tension, anxiety, excessive concern about hygiene, hostility, an obsession about being cheated, withdrawal into work, family, or the expatriate community, or, in some extreme cases, excessive use of drugs and alcohol (Lane and DiStefano, 1988). Although the vast majority of people usually adjust to their environment and eventually accept it,

> The pattern usually experienced by people who move into a new culture comes in three phases: first, the elation of anticipating a new environment and the early period of moving into it; second, the distress of dealing with one's own effectivness and, as the novelty erodes and reality sets in, the realization that one has to function in a strange situation; and third, the adjustment and effective coping with the new environment. (Lane and DiStefano, 1988:62)

During the first and second periods, performance is usually below average. The adjustment process takes from 3 to 9 months to return to normal or above average performance. This depends on a number of factors including the individual's personality, the degree of cultural difference being experienced and the amount of previous experience the person has.

To summarize Section Two, the major concepts are presented below.

Summary Concepts From Section Two

The culture a manager lives in can affect his/her attitudes and values:

-culture strongly influences and, in many cases, determines our perceptions and interpretations. That is, we learn to see the world in a certain way based, in part, on our cultural background.

-each manager has been socialized relative to the larger society culture in which he she was raised

-cultural factors represent the broader society in which the business operates

-managers learn to see the world in a certain way based on their cultural background

-culture strongly influences the attitudes and values of those socialized in the culture

-culture has a hidden, yet pervasive impact on behavior

-as a result of different mental programming, people from various cultures often see situations differently, and have different approaches and solutions to problems

SECTION THREE

THE CROSS-CULTURAL LITERATURE

The cross-cultural literature was also considered to be relevant to the research topic. This research can be classified into three major categories:

1. Research focusing on measuring and comparing culture across countries.
2. Research on specific problems arising from cultural differences and their implications for managing cross-culturally.
3. Research which focuses on helping managers to manage cross-culturally.

This literature has made the following important contributions:

a. It shows that there are differences in the attitudes and values among countries, even if they are sometimes very subtle, and, that these differences can lead to very different ways of doing business.

b. It shows that these differences can lead to misunderstanding and conflict between culturally different individuals.

c. It provides practical implications for managers.

The three categories of cross-cultural research identified above will now be discussed. These are: 1) Across Country Comparisons of Culture 2) Implications for Cross-Cultural Management and 3) Cross-Cultural Prescriptions/Insights

1. Across Country Comparisons of Culture

The first category of cross-cultural research which was identified is the small, but growing, stream of research investigating the differences among managers of different countries. It comprises studies focused on measuring and comparing management practices within certain countries, or comparative studies between countries. This body of literature is driven by the notion that, since the culture within which a person is socialized and educated presumably exerts a significant influence on his/her basic attitudes and dispositions, one would expect to find differences in certain psychological characteristics and behaviors among the executives from various countries.

The importance of such studies is clearly stated by Ronen and Kraut (1977:89),

> The mushrooming growth of international commerce and multinational companies has drawn increasing attention to the effectiveness of managerial practices and the differences in employee attitudes from country to country.

Some major studies in the cross-cultural management literature are those of Haire et al., England, Cummings et al., and Hofstede. They are briefly presented below (2).

Haire, Ghiselli and Porter (1966)

This group of researchers studied the differences in attitudes about leadership style, definition of managerial role, motivation, and need satisfaction, of managers across fourteen countries. They found that the countries fell into five clusters, four geographically defined and one related to the level of development:

- Nordic European countries (Denmark, Germany, Norway, Sweden)
- Latin-European countries (Belgium, France, Italy, Spain)
- Anglo-American countries (England, United States)
- Developing countries (Argentina, Chile, India)
- Japan

They also found that there were large variations among individual scores within each country. Only 28 percent of the differences between individuals were related to nationality.

England

In England's (1978) five-country comparative study, he considered the variation in the primary orientations of managers in the United States, India, Japan, Australia, and Korea. He found that the personal value systems of managers were relevant to and/or influenced the way managers behaved on the job. There were differences in the value patterns of the managers in the five countries studied. For example, the most directly relevant are the findings concerning U.S. managers. U.S. managers were found to have a large element of pragmatism; a high achievement and competence orientation; to emphasize traditional organizational goals, such as profit maximization, organization efficiency and high productivity; and, to place a high value on most employee groups as significant reference groups. In addition, England found a "common pattern of translation of values into behavior across the countries. He states, "Organizational level, personal success, decision-making behavior and job satisfaction are related to value patterns in ways that permit generalization across countries" (p.41). Moreover, "Values are related to such practical and important concerns as decision making, managerial success, managerial satisfaction and organizational context differences."

Cummings, Harnett and Stevens (1971)

Cummings, Harnett and Stevens studied attitudinal differences among executives from five regional clusters (Greece, Spain, Central Europe, Scandinavia and the U.S.A.). They measured four dimensions in attitudes that were thought to be especially important in influencing behavior in the managerial setting:

- Conciliation versus belligerence in interpersonal relations
- Risk-avoidance versus risk-taking
- External versus internal control (attitude toward fate)
- Suspiciousness versus trust

Their findings may be summarized as follows:

- 95 percent of the variability in the scores was attributable to individual differences within each geographical cluster as opposed to 72 percent in the Haire **et al.** study.

- The 5 percent variability attributable to regional differences was statistically significant for the four scales.

- On the four dimensions, the five regions divided themselves into three sets of roughly comparable scores, with the U.S. and Europe always in a different set.

- When they found only 5 percent of the total attitudinal variance was accounted for by regional grouping, they investigated three additional factors: functional identification within a firm; location within a single region; and, employment sector.

- Variations within a country seemed to be related to the nature of the firm (private or public sector) rather than the level of industrialization of the country or the functional identification of the manager.

Hofstede (1980a)

Research by Hofstede is possibly the only research which has attempted to control for environmental factors other than culture, and which is oriented toward practical implications for management systems. Hofstede conducted extensive studies within one multinational company (IBM) controlling for the nature of the task environment, the type of personnel, and organizational structure and systems.

Hofstede administered an attitude questionnaire of 150 items to 60,000 people at IBM. From this data bank, he was able to determine specific differences among countries. A summary of Hofstede's work as it relates to Canada and the United States was presented in Chapter Two.

2. Implications For Cross-Cultural Management

The idea that the culture we are raised in can affect our thinking and our ways of behaving should not be underestimated. While it does not really affect our ability to manage within our own country, because most people will conduct business in a similar way, it can affect our ability to manage in other countries/cultures.

Why? There is one characteristic of the effect of values on behavior that is critical. "The more important a value to us, the more likely we are to believe that it is indisputably the right one" (McMurry, 1963:132). And, a further problem is that often people from one culture believe that values which are inconsistent, or in conflict with their own, are wrong. This mentality breeds an unreceptiveness to others' values and ways of doing things. "This is because to question his values is to undermine the foundations of his way of life" (McMurry, 1963:132). Thus, while values are ubiquitous and indispensable in every culture, "...if their limitations and proneness to error are not recognized by management, they may do great harm" (McMurry, 1963:142).

Hofstede (1980a) and Hall (1977) have concluded that our culture/values influences how we perceive power, space, and time. Therefore, culture acts as a barrier to accurately understanding the objective environment. In addition, Torbiorn (1982), in his study of the adjustment process to a new country, illustrated how a person's frame of reference (values, attitudes, ideas and accumulated knowledge) governs his/her behavior in that country.

Guth and Tagiuri (1965:124) emphasize the following points which are relevant to managing cross-culturally:

- The values that are most important to an executive have a profound influence on his/her strategic decisions.

- Managers and employees often are unaware of the values they possess and also tend to misjudge the values of others.

- The executive who will take steps to better understand his/her own and other's values can gain an important advantage in developing workable well-supported policies.

The problem lies in that business people are seldom self-conscious and articulate about their values, although they feel uncomfortable when these values are violated and at ease when they are fulfilled. Also, they often do not clearly perceive the strategy that underlies and guides their business and corporate actions.

Newman (1972) has noted that managers are often unaware of attitudes and customs that have long been "normal" in their everyday lives. And the more preoccupied they become with their own activities, the more difficult it is to achieve the objectivity needed to understand why they manage as they do. Yet, "Awareness of these cultural assumptions is very important for anyone who seeks to transfer management concepts to, or from, a different setting" (p.85). And as Adler (1986) notes, unless we are culturally self-aware, we cannot predict the effect our behavior will have on others.

In addition, the adherence to values can lead to parochial or ethnocentric responses. The parochial response is, "Our way is the only way." Some managers cannot even comprehend that another way exists. Members of management are often accustomed to believing that their standards are infallible and should prevail.

Adler (1986) points out that culture strongly influences, and in many cases determines, our perceptions and interpretations. That is, we learn to see the world in a certain way based on our cultural background. This can be dangerous because perceptions can lead to cross-cultural misinterpretation. Sources of cross-cultural misinterpretation include subconscious cultural "blinders", a lack of cultural self-awareness, projected similarity, and parochialism. Cultural self-awareness and parochialism have already been discussed. Therefore, a brief description of the other two sources will be provided.

Subconscious cultural "blinders" are the assumptions we make that have a cultural basis, yet we are unaware of them. We are unaware of them because we share them with most other people within our country. Therefore, we make assumptions about those from another country or culture that are culturally based and not appropriate for a different culture.

Projected similarity "...refers to the assumption that people are more similar to you than they actually are, or that a situation is more similar to yours when in fact it is not" (Adler, 1986:66). It involves "...assuming, imagining, and actually perceiving similarity when differences exist" (Adler, 1986:66). In fact, assuming others from another culture have similar values, when not warranted, is common in society. Projected similarity is particularly problematic in cross-cultural situations.

3. Cross-Cultural Prescriptions/Insights

The previous sections have outlined how culture shapes a manager's attitudes and values; that these attitudes and values play a part in determining how organizations are operated - that is, the ways of doing business in that country/culture; and, that attitudes, values and behaviors differ when comparing countries. The final stream of cross-cultural research considered focuses on providing managers with advice on "how-to" manage cross-culturally. This body of research is concerned with providing managers, the agents of international business, with the information they need to anticipate situations that will confront them when they expand their operations to an international scope.

The major contribution of this area of work is the recognition that to effectively manage cross-culturally, one must understand the people - their attitudes, values and behaviors - in the culture one is considering doing business in. Lane and DiStefano (1988:5) note, "Understanding the culture of the people with whom one does business is simply good business". This is because, "What seems appropriate in one's own culture may be totally unacceptable in another culture" (Hamner and Organ, 1978:113). Understanding these differences and dealing with their implications for managing is a prerequisite for success.

Some of the particular comments from the cross-cultural literature devoted to helping managers prepare for their move into a new country are the following:

> "A well-equipped manager should go into a country with some knowledge of the cultural streams relevant to management's thinking there." (Haire, Ghiselli and Porter, 1966:14)
>
> "And there must be a willingness to accept the idea that while other men's values may be different from our own, they are not necessarily better or worse." (Guth and Taguiri, 1965:130)
>
> "It may be prudent for international firms to make some assessment of the dominant management process and its effectiveness in local firms operating in those countries where

they are contemplating the establishment of fairly large-scale subsidiaries." (Richman, 1965:296)

"It may be wise for the new firms to attempt to analyze the adjustments required and undertaken, as well as the costs entailed before the established international firm successfully introduced management practices which differ substantially from dominant local patterns." (Richman, 1965:297)

However, "Merely studying and copying the management process of these firms may lead to significant difficulties for new foreign-based firms." (Ibid:296)

Aspects of the environment managers live in have an important bearing on their local management practices. "Consequently, when we wish to transfer an effective device from one culture to another, careful attention should be given to underlying premises on which the managerial practice is based." (Newman, 1972:108)

Overall, Richman (1965) argues that it would seem very important for the international company to have good insight, based on some concrete evidence, into the country it is considering establishing operations in:

"In general, if a given set of cultural constraints can be isolated, and if their impact on the management process and managerial effectiveness -- i.e. the achievement of corporate objectives -- can be determined even in an approximate way, the international firm may have a fairly powerful body of knowledge to apply many of its problems." (Richman, 1965:305)

Therefore, companies must seek insights into the following:

1. To what extent can they effectively transfer their management principles, practices and general know-how to the country they are considering doing business in? At what cost?

2. To what extent and degree is the overall process and effectiveness of management constrained by cultural variables?

Whereas over the long run, there may be a convergence of cultures, or at least management principles and practices throughout the industrial world,

In the interim, it seems apparent that cultural constraints will continue to have varying, and often major, impacts on managerial performance and the achievement of corporate objectives in international business firms, throughout much or most of the world. (Richman, 1965:307)

Therefore, research is clearly needed to determine which cultural variables tend to affect which management practices/processes and behaviors, the extent to which they affect them, and the impact of these relationsh.ps on overall management effectiveness. Indeed, research of the applied type can help companies improve operations and results.

A summary of the major concepts from Section Three is presented below.

Major Concepts from Section Three

-cross-cultural studies show that managers from different countries are different in terms of attitudes, values and management practices.

-culture affects managers' thinking and their ways of behaving.

-managers are often unaware of their own values, nor the fact that the decisions they make are ba^ed on these values.

-many people within a culture believe that their values are right and that values which are inconsistent with their own are wrong.

-this mentality breeds an unreceptiveness to others' values and ways of doing things.

-as a result, one's culture can act as a barrier to accurately understanding the objective environment.

-this can lead to may ineffective and inappropriate responses for dealing in the new country/culture, such as subconscious cultural blinders, parochialism, and projected similarity.

-to effectively manage cross-culturally, managers must understand the culture of the people with which they plan to do business.

THE LITERATURE REVIEW - SUMMARY COMMENTS

As the world of business becomes increasingly international in form, our lack of knowledge about the factors influencing international business becomes more and more obvious. Differences in the attitudes, values and behaviors of managers from different countries is one area where knowledge is particularly sparse.

As it was previously stated, with respect to the topic of Canadian companies doing business in the United States, the contribution of existing research has been minimal. Despite the level of business activity between the two countries, research concerning Canadians doing business in the United States, or vice versa, is limited. And, what little has been written ignores the need to consider the differences between the two countries from a cultural perspective.

In addition, whereas the cross-cultural literature emphasizes the importance of understanding cultural differences, no systematic comparisons of the two cultures that make up North America are readily available. Indeed, systematic attitude surveys of Canadians are rarely published, let alone cross-national surveys using the same instrument for comparing Canadians and Americans. Thus, how similar the United States as a country/culture is to Canada is unknown, and remains to be investigated.

Literature tracing the historical and sociological roots of the two countries has suggested that there may be some key differences between Americans and Canadians, in their basic attitudes, values and behaviors. It seems highly probable that such differences could translate into different business behaviors and practices. And, Canadian managers could not afford to enter the United States market without an understanding of these factors.

Moreover, it is not only the direction of attitudes and values that is important. The magnitude of the difference can also have an effect. For example, both countries are achievement driven, yet the United States is believed to be more so than Canada. Also, while both countries are highly developed, the United States has a more competent and demanding education system and encourages university attendance more so than does Canada. This could affect the type of person companies in each of the two countries are able to attract, especially at the executive level. Therefore, just because the level of economic development and the language are similar, we cannot assume that the two countries are the same, or that they should be managed in the same way.

A better understanding of U.S. - Canada differences could make Canadian management more effective. This study attempted to compare the attitudes and values of managers in the two countries, and to determine whether the cultural factor played a part in the success or failure of Canadian retail firms in the U.S. market.

The concepts from Chapter 3 will be very useful for analyzing and understanding the experiences of Canadian retail executives in the U.S. market. The summaries provided throughout the chapter will be used throughout the case analyses, as well as in the final chapter. In particular, it will become clear how Canadian retail executives were influenced by their culture, attitudes, values, and perceptions, and how this affected their strategic choices for entering and operating in the U.S. market. The consequences for doing business in the U.S. market will also become evident.

In the next chapter, the model guiding the research design is presented.

Footnotes

(1) Implicit theories, assumptions, beliefs, schemata, and cognitive maps have all been used as mutually substitutable labels for the same construct.

(2) Part of this information was obtained from a thesis written by Marie-Solange Perret in the literature review section pp. 15-19, with additional information provided by the current author.

CHAPTER 4 - CONCEPTUAL MODEL AND RESEARCH DESIGN

In this chapter, the conceptual model which guided the research and the research design are developed.

The Conceptual Model

It is clear from the literature review that no one has studied the experiences of Canadian retailers in the U.S. market from a cultural perspective. Therefore, the conceptual model guiding the research was derived from combining the concepts from the various bodies of literature investigated, and applying them to the research problem. For this reason, it is useful to summarize the major contributions from the literature that were incorporated into the model:

From Chapter 2:

1. The literature on attitudes and values shows that a person's attitudes and values have an affect on his/her behavior and that these attitudes, values and behaviors are influenced by the culture he/she lives in.

2. The literature reviewing the Canadian and U.S. cultures suggests that the American and Canadian cultures are different on a number of dimensions. These dimensions are summarized in Figure 7.

Chapter 3 adds to these concepts by applying them to managers and to managing across cultures. The chapter suggests that:

3. A manager's values are strongly affected by the culture he/she lives in.

4. A manager's values affect his/her behavior, including his/her strategic decision making behavior or strategic choices.

5. Managerial values and behaviors may be different in each culture.

6. To successfully manage cross-culturally, executives must understand and adjust to the culture they intend to do business in.

Combining these concepts led to the proposed conceptual model which is presented in Figure 9.

The proposed model attempts to represent the theory behind managing successfully in another culture. The basic premise of the theoretical model is that the culture a manager lives in affects his/her attitudes and values. These attitudes and values, in turn, affect a manager's business behaviors and practices, including his/her strategic decision making behaviors. The strategic decisions made, in turn, affect the performance of the organization.

This model is believed to exist in all cultures. That is, different cultures will produce different managerial values and business practices. Therefore, when it comes to doing business in another country or culture, the executive team's perceptions of the host country culture are important, because these perceptions will affect the decision making process and the decisions made. In particular, it is important that managers recognize differences in values and business practices, and that they incorporate them into the strategic decisions made for that country/culture. Indeed, this recognition is a prerequisite to successfully managing in another culture. If the strategic decisions made are appropriate for the new culture, then the probability of the firm's success in that country will be maximized. If they are inappropriate, then the chances for success will not be great.

FIGURE 9

THE PROPOSED CONCEPTUAL MODEL

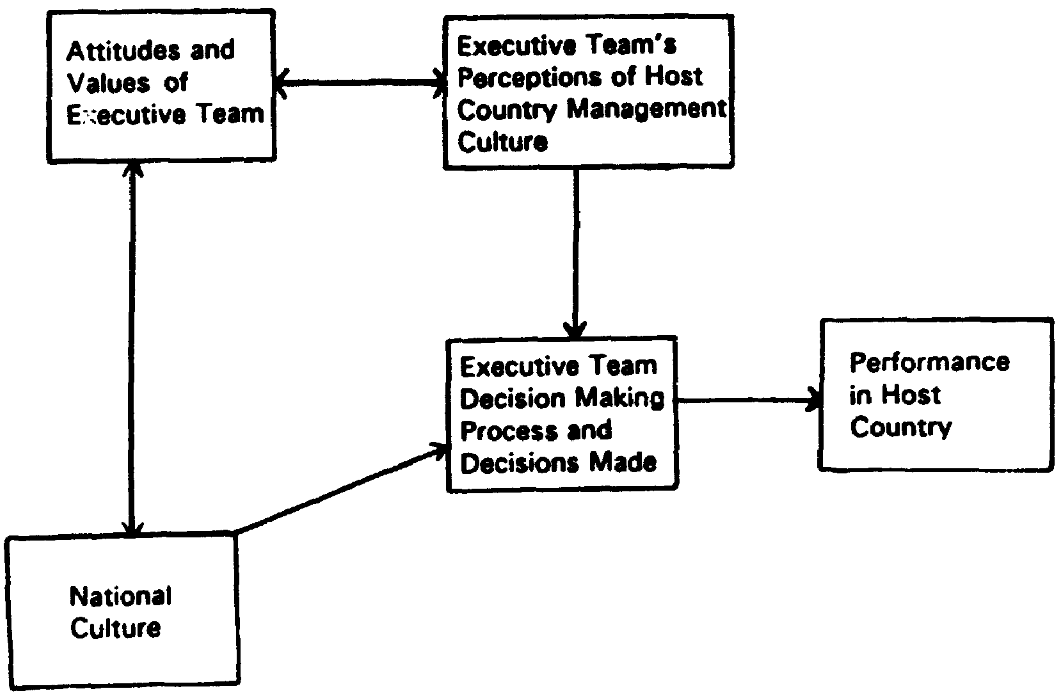

Figure 9. The Proposed Conceptual Model

RESEARCH DESIGN

In this section the following will be outlined:

1) the research questions

2) the research design

3) the variables used in the research project

1) RESEARCH QUESTIONS

Based on the literature reviewed and the conceptual model derived, a number of research questions were developed to guide the project:

1. How did Canadian retailers who entered the .S. market perceive the U.S. retail business culture? As the same as Canada's, or different? If different, in what ways?

2. Did the Canadian retail executives perceive the difference in culture (if any) between Canada and the United States to play a role in their success or failure in the U.S. market? If so, what role?

3. How did the Canadian executives' perceptions of the American culture affect their strategic decision making process and their strategic decisions for the U.S. venture?

4. What are the actual cultural differences between retail business persons in Canada and the U.S.?

Upon developing the research questions of interest, the next step involved developing a research design that would most effectively answer the research questions.

2) THE RESEARCH DESIGN

Developing the research questions was a useful process in that it helped to structure the design of the research project. The research questions fell into two categories:

a) those concerned with the experiences and perceptions of Canadian retailers who had entered the U.S. market to determine what factors contributed to their success or failure in that market from a cultural and decision making perspective (Questions 1 - 3).

b) those concerned with finding out whether or not any cultural differences actually existed between Canadian and American retailers and what these differences (if any) were (Question 4).

Therefore, a two-phase research design was deemed most appropriate. Each of the two phases will be briefly discussed.

Phase 1

To answer the first category of questions required an approach which allowed the researcher to explore the actual experiences of Canadian retailers in the U.S. market. The nature of the questions meant that it was necessary to understand the nature and complexity of the events that took place. Answering these questions also required the input from multiple actors within each company. For these reasons, it was decided that the interview was the best method for gathering the type of information sought.

There were several advantages of using the interview. The focussed interview has proven to be ideal in new areas of research such as this. Had a questionnaire been used, respondents would have been limited to answering the questions asked. Therefore, if the variables chosen were incomplete or irrelevant, respondents would have had limited space, or motivation, to explain what factors were responsible for their performance in that market. Furthermore, since there has been limited investigation into this research topic, developing an appropriate questionnaire for this purpose would have been next to impossible.

Secondly, although prior to the interviews, a specific framework of topics to be covered was constructed, the manner in which the questions were asked in the interviews, and their timing, was left up to the interviewer. This allowed the freedom to explore reasons and motives, and to probe further into specific areas of interest, as well as areas that were unanticipated. The interviews provided answers to the "how" and "why" questions, as executives worked through what had happened. Therefore, the interview provided the flexibility and richness of data sought.

There are also some disadvantages involved in using the interview method. One of the most important has to do with the fact that they are retrospective in nature. Therefore, the paradigm of the interviewee at the time of the interview may not be the same as it was at the time the actual decisions were made. There also may be a great deal of sense-making involved on the part of the interviewee. Several efforts were undertaken to minimize this problem, as well as other potential problems. They are discussed in Chapter 5.

Interviews were conducted with the top management team members, of four Canadian retail companies, who had been involved in the decision to enter the U.S. market, and the subsequent related decisions. To ensure that the data collection process was complete and consistent within and across the companies participating in the study, an interview protocol was developed, based on the research questions and the model presented. An outline of the protocol is presented in Appendix 1.

Phase 2

To answer the second set of questions, a questionnaire was used. It was considered the best means for collecting the data necessary to test the validity of several propositions that had been generated from the literature and from the executive's responses about the cultural differences between Canadians and Americans. Because of the large number of potential cultural differences between Canada and the U.S., only those differences which were considered to be related to business and managerial behaviors were chosen for study. The dimensions of culture measured are presented in Figure 10.

The questionnaire was sent to the Chief Executive Officers of the top retail companies in Canada and the United States for their completion. The design and implementation of the questionnaire will be presented in Chapter 10.

The above description outlines the broad design of the research only. This design is presented diagramatically in Figure 11. The specific methodology used in Phase 1 and Phase 2 of the research will be discussed in depth in Chapters 5 and 10 respectively. The next section outlines the variables and constructs used in the research.

3) THE VARIABLES USED IN THE RESEARCH PROJECT

The variables used in this research, their components and their operationalization are presented in Figure 12. They are described below.

Culture was operationalized as attitudes and values at the national level. Therefore, the national boundaries of Canada and the U.S. were used. The elements or components of culture that were measured in each country were the 18 attitude/value orientations summarized in Figure 10 presented earlier in this chapter. Many of these were operationalized using well-established instruments, such as Hofsede's 24-item questionnaire, and Jackson's PRF and JPI. For the components where no previously established instrument was available, a measure was created by the researcher. This is discussed in great detail under Phase 2 of the research project.

FIGURE 10 - CULTURAL DIMENSIONS MEASURED

Code: U.S. > C. = the U.S. is believed to have a stronger orientation, or a higher score on this factor than Canada; If U.S. < C., the opposite is true.

1. Achievement Orientation (U.S. > C)
   Lipset (1963, 1989), Rokeach (1973), Meyer and Thorne (1987)

2. Level of Aggressiveness (U.S. > C)
   Lipset (1963, 1989), Rokeach (1973)

3. Level of Optimism (U.S. > C)
   Lipset (1963b), Berton (1982), Meyer and Thorne (1987)

4. Action Orientation (Belief in the Timeliness of Action) (U.S. > C)
   Newman (1972), Interviews

5. Belief in Hard Work (U.S. > C)
   Interviews, Newman (1972)

6. Attitudes Toward Authority (government)
   negative attitudes toward government, questioning of authority (U.S.)/positive attitudes toward government, deference to authority (C)
   Berton (1982), Lipset (1968, 1989)

7. Belief in Competitiveness (U.S. > C)
   Godfrey (1986), Newman (1972), Interviews

8. Risk Propensity
   positive attitudes toward risk (U.S.) / hunger for security (C)
   Lipset (1987, 1989), Berton (1982), Godfrey (1986), Interviews

9. Masculinity Dimension (U.S. > C)
   Hofstede (1980), Rokeach (1973)

10. Uncertainty Avoidance Dimension (U.S. < C)
    Hofstede (1980)

11. Individualism/Collectivism Dimension (U.S. more individualistic than C)
    Hofstede (1980), Lipset (1989), Rokeach (1973), Godfrey (1986), Interview

12. Power Distance Dimension (U.S. < C)
    Hofstede (1980), Wright (1991)

13. Adaptability/Flexibility (1) (U.S. ? C)

14. Commitment to Winning (U.S. > C)
Meyer and Thorne (1987); Lipset (1963), Interviews

15. Mastery Over One's Environment (U.S. > C)
Newman (1972), Interviews

16. Conservatism (U.S. < C)
Lipset (1963, 1989), Berton (1982), Interviews

17. Attitudes Toward Equality
[U.S. more egalitarian, Lipset (1963, 1989)],
[U.S. less egalitarian, Rokeach (1973)]

18. Attitudes Toward Rules (U.S. less positive about rules than C)
Lipset (1963, 1989)

(1) See note at end of chapter.

Figure 10. Cultural Dimensions Measured

The attitudes and values of Canadian retail executives, as well as their perceptions of the American retail culture, were measured via the interview. Executives were asked specifically in the interviews about their perceptions of American retail business persons, before they entered the United States market, once they entered, and post-entry. They were also asked to identify the cultural differences between Canadian and American retail business persons, and whether this difference affected their ability to perform successfully in the United States.

The decision making process in each company was measured via the interview. All members of the top management team involved in the decision to enter the U.S. market, and any related

FIGURE 11 - RESEARCH DESIGN

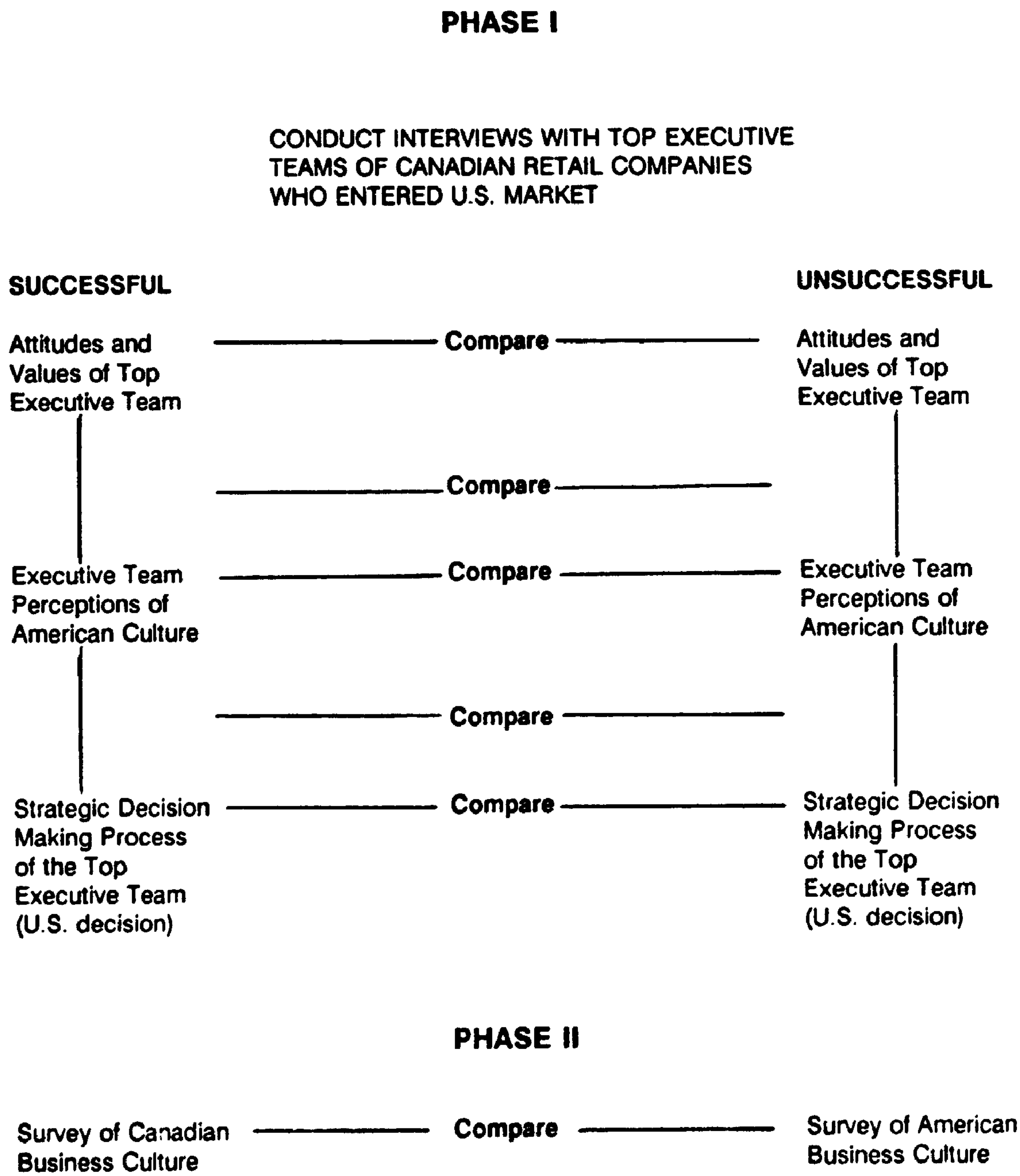

Figure 11. Research Design

FIGURE 12

CONSTRUCTS, COMPONENTS, AND THEIR OPERATIONALIZATION

CONSTRUCT	CONSTRUCT COMPONENTS	MEASURED BY
National Culture	Uncertainty Avoidance Collective dimension Masculine dimension Power distance	Hofstede's 24-item Questionnaire
	Commitment to Winning Mastery Level of Optimism Action Orientation Competitiveness Conservatism Attitudes Toward Equality Attitudes Toward Government Attitudes Toward Rules	Self-Developed Measure
	Belief in Hard Work	Blood's Protestant Work Ethic Scale Self-developed items Lodahl & Kejner's Job Involvement Scale Jackson's PRF
	Aggressiveness Achievement Orientation Risk Propensity Adaptability	Jackson's JPI
Top Executive Team Attitudes & Values	18 Listed Above	Interview Questions (Appendix 1)
Canadian Executive Perceptions of U.S. Culture	Pre-entry Orientation Entry Orientation Post-entry Orientation	Interview Questions (Appendix 1)
Top Executive Team Decision Making Behaviors	Decision Process Decisions Made	Interview Questions (Appendix 1) Archival Data
Performance	Success/Failure	Sales Profits Growth Market Share Expectations met

Figure 12. Constructs, Components, and their Operationalization

decisions thereafter, were asked to trace the decision process from pre-entry to entry to post-entry. The actual decisions made were also recorded.

The dependent variable was performance. Its components were effective or ineffective decision processes, including the decisions made. A company's decision process (and decisions made) were deemed to be effective if the company was successful in the U.S. market. Its decision process was considered to be ineffective if the company was unsuccessful in the U.S. market. Success was operationalized by aggregating the following measures:

- sales and profits in the U.S. over the period of operations
- growth in sales and profits over the period of operations
- market share over the period
- ability to meet the expectations of the parent company (this was a relatively soft measure because it required getting the opinion of the parent's top executives)

In Phase 1 of the research (the interviews), the research design and sample selection attempted to control for the following variables:

industry - the retail industry was used. This sector was further broken down (i.e. clothing) and an attempt was made to match successes and failures accordingly.

country - both the host country (U.S.) and the parent company (Canada) were held constant.

entry year - the year companies entered the U.S. was matched as closely as possible to remove the effects that different years have on the performance of retail organizations.

region - regions differ in their economic situations, industry concentrations, consumer behavior, culture, etc. - all of which can influence a firm's performance in that region. To remove these effects, an attempt was made to match successes and failures according to the region(s) they were operating in.

size - the size of the parent was matched as closely as possible in terms of sales and number of outlets. Firm size is commonly used as an explanatory variable in the organizational design literature. A firm's size can affect resources available for expansion, organizational structure, and management experience (large firms have the money and the challenge required to attract individuals top in their field).

The following chapter will begin by presenting the research methodology used for Phase 1 of the research project which involved the interviews conducted with the top management team members of the Canadian retail companies which had entered the U.S. market.

Footnotes

1. Given the inability of Canadian retail companies to compete in the U.S. market, one theory is that Canadian executives were not adaptable. Although this was not a difference discussed in the literature, it was of interest to the researcher upon completion of Phase 1 of the research.

CHAPTER 5 - PHASE 1: RESEARCH METHODOLOGY

The purpose of Phase 1 of the research was to determine what factors contributed to the success or failure of Canadian retail firms doing business in the United States market, from a cultural perspective. To achieve this objective, information was collected from the top management teams of four Canadian retail companies, who had operated, or were operating, in the United States. Two of the companies chosen for study were successful in the U.S. market and two were unsuccessful. In addition to asking the top management team members about cultural differences between Canadians and Americans in the retail sector, they were also asked to describe the decision making process surrounding the U.S. venture. The purpose of this was to analyze the effect that the difference in cultures (if any) had on the decision making process. For example, the decision making process was analyzed to determine whether the Canadian top management team members perceived there to be any differences between the U.S. and Canada, and how their perceptions affected their decisions related to their U.S. venture.

1. RESEARCH POPULATION AND SAMPLING FRAME

(i) Obtaining a List of Canadian Companies

One of the most time consuming aspects of getting the research underway was obtaining a list of successful Canadian retail companies, that had entered the United States market, at some point over the last 10 years. Certain companies were obvious from following the newspapers, and other information sources. Nevertheless, it was necessary that the list be comprehensive. Therefore, an attempt was made to determine whether such a list currently existed. In doing so, the following organizations were contacted:

Canadian Chamber of Commerce

International Trade Data Bank

DREE

Retail Council of Canada

Statistics Canada

The only list of Canadian retail companies that had entered the U.S. market was produced by Statistics Canada. However, it was inaccessible, due to the Secrecy Act, which protected the list from becoming public information. The nature of the research was explained, indicating that the list would not be used for business/profit purposes, to no avail. In addition, Thomas d'Aquino, President of the Business Council on National Issues, attempted to obtain the list from Statistics Canada, but was turned down.

Fortunately, one representative from Statistics Canada stated that he would confirm/disconfirm a list of names of companies believed to have entered the U.S. market. This at least eliminated any faulty information.

At this point, the only viable option became looking the companies up manually. This was an extremely lengthy process involving the following. Beginning with the 1987 Canadian Key Business Directory, produced by Dun and Bradstreet Canada Limited, the industry groupings and S.I.C. codes were found for Canadian retailers. The Canadian Trade Index was then used, to find out where each retail company's operations were located. If they were located in the U.S., the company's name was added to the list. Some criteria had to be used, so that every Canadian retailer did not have to be included in the search. For example, only companies with sales greater than one million dollars were searched.

The problem with the above method was that a company that had entered the U.S., and had exited from it, would not show up as having had operations in the U.S. Similarly, a company that had only recently entered the U.S. would not be found. To resolve this potential problem, and to ensure the accuracy and comprehensiveness of the list, the Directory of Retail Chains in Canada, 1987, was used to identify companies that had entered the U.S. over the past 10 years. This book was also used to identify articles written on the companies identified on the list, over the last 10 years.

Finally, of the companies on the list, financial and other relevant information was found by looking up and analyzing their annual reports, and by tracing newspaper and other articles written about the companies over the past 10 years. The final list was sent to Statistics Canada for confirmation.

A population of 18 Canadian retailers was identified, from which a sample could be drawn.

(II) Selecting the Sample And The Problems Encountered

To ensure the selection of the best research sites, the following criteria were developed. First, a company had to be successful in Canada to be considered as a possible site for more in-depth study. This criterion was used so that the results found could not be attributed to poor management skills in Canada. Second, companies must have been operating in the U.S. for a period of two years, unless they had withdrawn from the market and could be analyzed as failures. The two year criterion was deemed necessary to assess performance. Third, the companies chosen must have entered the U.S. during the past five years. The five year time frame was designed to keep retrospective data to a minimum. Finally, two successful companies and two unsuccessful companies were to be chosen, for comparison purposes. These companies would be matched according to the factors outlined earlier, to control for as many extraneous factors as possible, which could affect performance.

Information was collected for each of the identified retailers on firm size, year of entry into the U.S., retail category, region entered, and performance. The sources of this information included: the Canadian Key Business Directory, 1987; annual reports; investment research reports; and from a review of newspaper articles, on the companies, over the past eight years. This information is presented in Figure 13.

Unfortunately, it became obvious that all of these criteria could not be met. Only four companies met the time frame criterion and they differed dramatically in size, retail category, and the region they had entered. Furthermore, three had withdrawn from the U.S. market.

In addition, this process revealed that there was a much greater number of unsuccessful companies than successful companies. Only three organizations, Scott's Hospitality, the Grafton Group, and Peoples Jewellers Limited, were found to be successful. Scott's Hospitality had originally suffered losses in the U.S., prior to implementing a successful turnaround strategy. The Grafton Group had experienced variable U.S. results, but had maintained profitable performance since 1979. Peoples Jewellers was classified as a success, based on the opinions of retail analysts and the senior management of the company. Due to Peoples' reorganization of Zale Corporation, the company it acquired in the U.S., its financial results could not be used as a true measure of success.

All of the remaining retailers in the population had either withdrawn, were struggling with losses and attempting to develop turnaround strategies, or were experiencing varied results.

At this time, it was determined that the three successful companies would be approached to participate in the study. Those agreeing to participate would then be most appropriately paired with unsuccessful companies. Scott's was contacted first because it was the only long-term successful company in the U.S. and, therefore, was deemed most useful to this project. In

FIGURE 13 - COMPANY INFORMATION

CANADIAN RETAILERS	SIC Code	Company Sales 1987/(000)	Year Entered U.S.	Region Entered	Success/ Failure
Mother Tucker Food Experience	5800	101,000			Unknown
Scott's Hospitality	5800	873,547	1984 1987	Boston/ Texas Minnesota	Turn-Around Unknown
Swiss Chalet	5800				Unknown
mmmuffins			1981		W.D.(86)
Coles Book Store	5942	140,265a			W.D.(87)
The Brick Warehouse	5600	8,466		California	Struggling
The Panhandler Group	5900	14,510a	1979		W.D. (81)
Henry Birks and Sons Ltd.	5944	368,625	1982	regional chain	Unknown
Peoples Jewellers Limited	5944	195,400	1978 1985	Utah/ Montana National	W.D. (82) Success
Canadian Tire	5500 5399	2,500,000	1981	sunbelt states	W.D. (86)
Consumers Distributing	5399 5945	933,400	1979	East & West Coast	West-W.D East-Struggling
Shoppers Drug Mart (IMASCO)	5912	4,566,207	1978 1986	Florida 14 states	W.D.(85) Struggling
Chateau Stores of Canada	5600	124,582	1985		Struggling
Dylex Ltd.	5600	1,299,856	1984 1984	California New York	Unknown Losing $
Grafton Group A	5600	627,700	1979	mid-western states	varied, but profitable
Mark's Work Wearhouse	5600	175,918	1981	Wyoming	W.D. (87)
Pennington's Stores Ltd.	5600	96,000	1980	Ohio	
Reitmans (Canada) Ltd.	5600	351,127	1979	Chicago/ Florida Central U.S.	varied results Struggling

NOTE: The index for this chart is located on the next page.

INDEX

a = represents 1986 annual sales; 1987 figures were not available

Struggling = losing money but not considering leaving the U.S. because losses are relatively small.

W.D. = have withdrawn from the U.S.
Varied Results = company is incurring losses some years and profit others (over the past four years).

NOTE: Supermarket retailers were not considered as part of the population because the three retailers who entered the U.S. were also wholesale distributors and manufacturers. In addition, these retailers are usually faced with unions unlike other retail categories.

NOTE: Consumers Distributing was not considered a good candidate for this research because all mail order businesses in the U.S. were also struggling (the business was losing popularity with the consumer). This is an issue that can not be altered by Canadian retailers and could be responsible for many of Consumers problems.

Chateau Stores was also not considered to be a good candidate. The company was experiencing problems within its Canadian operation and was losing Canadian market share. When possible, the research project was designed to rule out management problems in Canada, as an explanation for problems in the U.S.

Figure 13. Company Information

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addition, Scott's owned Black's Photography, which had recently entered the U.S. This offered the opportunity to study a recent entry process, and the chance to determine whether the company's management had applied the lessons it learned with Scott's.

However, Scott's was unable to participate in the study. Its management had already agreed to participate in another study and, therefore, could not afford the additional time necessary with key executives. As a result, Peoples Jewellers and the Grafton Group were contacted. Both agreed to participate.

The issue then became matching these two companies that had been successful in the United States, with two companies that had been unsuccessful. Unfortunately, the data in Figure 13 revealed that it would be impossible to produce matched pairs of retail projects while, at the same time, controlling for the desired variables. The 'control' variables were re-examined to determine their relative importance. Size of company was considered most important, because it frequently influenced resources available for expansion, organizational structure and processes, and managerial experience, all of which could directly impact the company's performance. Retail category was rated second, because the issues facing clothing retailers are quite different than those of a drug store retailer. The variables year of entry and region entered, were lowered in priority. Although considered important, there was so much variance in the population among these variables, that it was considered impossible to control for both. Regional area was especially diverse.

Once these priorities were set, the sample was re-examined. Three companies were chosen, based on the desired characteristics, to most closely match the Grafton Group. They were:

> Reitman's (Canada) Ltd., with sales of 351,127,000; entered the U.S. in 1979, and was struggling.
>
> Pennington Stores, with sales of 96,000,000; entered the U.S. in 1980, and was still operating in the U.S.
>
> Mark's Work Wearhouse, with sales of $175,918,000, entered the U.S. in 1981, and had withdrawn from the U.S.

Each of these was a clothing retailer, which targeted very specific market niches (Reitman's - young women's wear; Pennington's - larger sized women's clothes; Mark's Work Wearhouse - working man's workwear). Company sales were as close as possible and all three were national chains in Canada.

Of the three companies contacted, only one, Mark's Work Wearhouse agreed to participate.

(NOTE: Dylex Ltd. was contacted at the beginning of the sample selection, because of the company's high profile in Canada, and because the Dean of the Business School personally knew the company's Chairman. However, the company executives were unable to participate in the study at the time of the research. They were too busy attempting to survive the U.S. market.)

The most obvious company to pair with Peoples Jewellers, was Henry Birks and Sons Ltd. It was in the same retail category, and had sales of $368,625,000. Unfortunately, its date of entry into the United States was 1982, whereas, Peoples' was 1978. The company's performance in the U.S. was also unknown. Despite these factors, the company was contacted. However, the Chairman and Chief Executive Officer of Birks was out of the country, and unable to be contacted for a period of three months. Therefore, another company had to be approached. In order to achieve another pair of companies, the effect of retail category had to be relinquished. The following pair resulted:

> Peoples Jewellers and Shoppers Drug Mart - both companies are leading retail chains in Canada. Shopper's Drug Mart is Canada's largest drug store chain and People's Jewellers is the second largest jeweller in Canada, following Henry Birks & Sons.

The similarities between the two companies, on pertinent criteria, made them the best possible pair. Both entered the U.S. market twice: first in 1978 only to withdraw sometime later; and second in 1986, through the acquisition of an established chain. Peoples Jewellers acquired Zale Corporation and the acquisition was considered an initial success. Shoppers Drug Mart's parent company (Imasco) acquired Peoples Drugstore, which is presently losing money, and Shoppers' (and Imasco's) President and Chief Executive Officer, is attempting to turn the company around. The second entry attempts were made in 1986 and both U.S. operations had been active for two and a half years at the time of data collection.

As noted below, the entire top management team of Shoppers Drug Mart was unable to participate in the study, however, an interview with the CEO of the Canadian operation was granted.

Once Shoppers Drug Mart indicated that only a CEO interview would be granted, it became necessary to obtain an additional research site. Since the remaining number of potential sites was quite small, and it was no longer possible to control for the desired variables, it was decided to contact all of the companies at once. If more than four companies, in total, agreed to participate, a choice would be made, based on matching companies using one or more of the previously mentioned desired variables. This never became an issue.

As companies were contacted, it became clear that many companies could not, or were unwilling to, participate in the research. For instance, some of the companies experiencing difficulties in the U.S. were consumed with their mere survival and could not afford the time of top executives. Other companies had recently participated in a research study, or were in the process of doing so, making them an unavailable research site for this study. Others simply said no. However, all but a few companies contacted were extremely interested in the nature of the study. Figure 14 outlines the companies that were approached, the refusals and the stated reason, and the four companies which agreed to participate.

The final company which agreed to participate was Canadian Tire Corporation. Canadian Tire was a specialty retailer, selling automotive equipment, lawn and garden tools and leisure goods. Canadian Tire had sales of $2,500,000,000 in 1987, entered the U.S. market in 1981, and withdrew after losing one hundred million dollars.

FIGURE 14 - COMPANIES CONTACTED

Company	Agree to Participate?	If Refused, Reason Given
Mark's Work Wearhouse	Yes	
Penningtons	No	too busy to participate
Peoples Jewellers	Yes	
Shoppers Drug Stores	Yes to an interview with CEO only	U.S. management were extremely busy and could not participate
Reitman's	No	very interested, but it was company policy not to disclose information to the public
Scott's Hospitality	No	a researcher had already been allowed into the company for a different project
Dylex	No	interested in the research but they were still unsure of what was going wrong in the U.S. Too early to participate and they were concentrating on turning around results
Canadian Tire Corporation	Yes	
The Brick	No	too busy to participate
Henry Birks & Sons	No	out of country
Grafton Group	Yes	

Figure 14. Companies Contacted

iii) Contacting The Companies

The entry point into each company was through the Chairman or Chief Executive Officer. Before any of the desired research sites were approached, an effort was made to determine whether any of the faculty members at the Business School at the University of Western Ontario, knew the Chairman or CEO within the identified companies. If so, an initial contact was made over the telephone by the faculty member to explain the nature of the study, its importance, and to improve the chances of the company participating.

Next a letter was sent to the CEO of the desired company explaining the objectives of the research, and requesting that the company participate in the study. A summary of the research was also enclosed. If contact by telephone was not possible, the letter constituted the first contact with the company. The letter ended by stating that the researcher would call the company within a week.

One week after the letter was sent, a phone call was made to the CEO to discuss the project in more depth, and to find out whether the company would participate.

(iv) Characteristics of the Actual Sample

The four companies which agreed to participate were: Peoples Jewellers, Mark's Work Wearhouse, Canadian Tire Corporation, and the Grafton Group. Figure 15 outlines the characteristics of these companies at the time of sample selection.

An interview was also conducted with the CEO of Shoppers Drug Mart. Shoppers, owned by Imasco, is Canada's largest drug store chain, with 586 stores nation-wide. It entered the United States first in 1978, with a greenfield operation in Florida, which was sold in 1985. In 1986,

FIGURE 15

CHARACTERISTICS OF COMPANIES PARTICIPATING

Company	Description
Peoples Jewellers	- jewellry retailer - founded in 1919 - family owned/operated - 291 stores nation-wide - second largest jeweller in Canada, following Henry Birks & Sons Limited / 1987 Sales: $195,400,000 - first entered U.S. in 1978 by acquiring a small jewellry chain, which was sold in 1982. - in 1981, Peoples purchased 15 percent of Zale Corporation, the world's largest jeweller. - in late 1985, the company entered a joint venture to acquire control of Zale.
Mark's Work Wearhouse	- clothing retailer specializing in work wear - founded in April, 1977 - ranked as Canada's fourth largest clothing retailer (based on 1987 profits) - 109 stores nation-wide - 1987 sales: $175,918,000 - run by two twin brothers - entered the U.S. with a greenfield operation in 1981, withdrew in 1987.
Canadian Tire Corporation	- a specialty retailer selling automotive equipment, lawn and garden tools, and leisure goods - founded in 1922 - ranked as the largest specialty retailer in Canada and had the highest profit of all retailers - 1987 Sales: $2,500,000,000 - 401 stores nation-wide - corporate management / family members of founder hold majority of stock and senior board positions - entered the U.S. through an acquisition of U.S. chain with 81 company-owned stores which also supplied 420 dealer-run stores. Sold the operation in 1986.
Crafton Group	- a clothing and shoe retailer - incorporated in 1961 - corporate owned and managed organization - organization consisted of 9 Canadian clothing chains and 5 shoe chains - ranked 10th, by profits, and 2nd, by sales, (1987 sales: $627,700,000) among clothing retailers - entered the U.S. in 1979 by acquiring Siefert's, a U.S. clothing chain which operated 51 stores. By 1987, the operation consisted of 147 stores in 23 states.

Figure 15. Characteristics of Companies Participating

Imasco purchased a U.S. drug store chain which Shoppers' President is now attempting to turn around.

2. DATA COLLECTION AND ANALYSIS

The objective of the data collection process was to obtain a rich set of data surrounding the decision of Canadian company executives to enter the United States market, and the subsequent related decisions (and decision processes). To achieve this objective, three data sources were relied on: (1) an initial interview with a company's CEO, (2) semi-structured interviews with every member of the top management team involved in the U.S. venture, and (3) secondary source data. The interviews involved executives from (1) the head office in Canada, (2) the U.S. operation's headquarters (if still in tact), and occasionally, (3) executives no longer with the company.

CEO Interview

First, an on-site interview with the Chief Executive Officer of each company was conducted. CEO's were asked several questions about their experiences in the U.S. market, from why they entered the United States market, to where they entered, how they entered, to what happened. In general, they were asked to trace the history if the strategic decision, by telling the 'story' of what happened. Included were questions around "whether" and, if so, "how" value, cultural and other differences between the U.S. and Canada were taken into account in the strategic decision making process. The interview protocol is outlined in Appendix 1. This technique was useful in that it allowed the interviewee to re-live, in his mind, the events that had taken place with respect to the U.S. venture. It also helped to determine firm-specific information concerning the company's strategy and operations; to establish rapport with the CEO's; and, to refine some of the items to be included in the questionnaire that would be sent out in Phase 2 of the research.

When the CEO had finished telling the story, anv questions from the interview protocol that were left unanswered were then asked. In addition, the CEO's were asked for more specific detail on some of the points they had brought up.

Interviews With Top Management Team Members

During the preliminary interview with the Chief Executive Officer, he was asked to identify those individuals within his firm (and outside if necessary), whom he felt had been the most influential in the decision to enter the U.S., and the related decisions thereafter. Interviews were conducted with each of the identified executives, in the top management team, in the same fashion as the preliminary interview with the CEO. The decision process related to the U.S. venture was traced, from the perspective of every participant, using a standard set of interview questions. Data was collected from the top-level executives in four companies, to provide a stronger analysis than could be derived from a case study of a single organization.

The interviews lasted between one and three hours, with an average of about two hours. The interviews were semi-structured, and in-depth, but left wide-ranging and free enough to allow for probing in unexpected directions, if necessary. The interview protocol provided a framework to focus the interviews. As much as possible, questions were factually based and involved tracking the progression of events, to reduce opinion and hindsight from altering the information gathered. Figure 16 outlines the individuals interviewed in each company.

The information gathered in the interviews required relying mainly on restrospective data. This was due to the time frame required to determine success or failure. Although there are problems in using retrospective data - the most common of which are memory lapses and a tendency to justify one's actions in the light of results - retrospective studies are still considered viable. Lawrence (1979), in particular, believed this method to be valuable and underutilized. He stated,

FIGURE 16 - INDIVIDUALS INTERVIEWED

Company	People Interviewed	Position	Duration of the Interview
Peoples Jewellers	I. Gerstein	President in Canada & U.S.	2.5 hours
	C. Gill	Senior VP of Finance (Canada)	2.5 hours
	N. White	Senior VP of Marketing (U.S.)	2.0 hours
	R. Lively	Senior VP of Administration (U.S.)	2.0 hours
	J. Dawes	Senior VP of Operations (U.S.)	2.0 hours
	M. Wertheimer	Senior VP of Finance	1.0 hours
Mark's Work Wearhouse	M. Blumes	President	1st- 2.0 hours 2nd- 1.5 hours
	M. Blumes	VP & Chief Financial Officer	1st- 1.5 hours 2nd- 1.5 hours
	C. Fetzer	Former Head of U.S. operation	1st- 2.5 hours 2nd- 1.0 hours
	B. Libin	Lawyer on Executive Committee	1.5 hours
Canadian Tire Corporation	D. Groussman	made CEO of CTC in 1985 - exited CTC from U.S.	2.0 hours
	A. Goddard	VP Public Relations	1st- 2.0 hours 2nd-3/4 hours
	D. Muncaster	President of CTC when entered U.S.	1st- 3/4 hours 2nd- 2.0 hours
	J. Kron	President of U.S. Operation until 1985	2.0 hours
Grafton Group Limited	W. Heaslip	President in Canada and U.S.	2.0 hours

Figure 16. Individuals Interviewed

> ...carefully designed retrospective studies have great potential for enabling us not only to do model building studies but also to do more rigorous testing for association and causation in regard to important and sensitive affairs. I venture to say that this can be done while largely avoiding the high risks and costs of action research projects... As long as the selection criteria and the hypothesis are explicit in advance, the selection of sites and the checking for results can be done, I believe, with as much rigour as is found in any planned field experiment.

To counteract the tendency to justify results, a multi-method approach was used. First, several people in each company (informants) were interviewed, for cross-checking purposes, to assess the consistency and reliability of responses. Second, archival and documented data was used to supplement and cross-check the interview data. In addition, guarantees of personal anonymity were used to make interviewees feel secure and open in discussions.

To improve the reliability of the data gathering process, each interview was conducted in tandem -- by two investigators -- with one primarily responsible for the interview, and the other for filling in gaps in the questioning (1). Immediately following the interviews, the information collected was discussed to cross-check facts, and to ensure consistency of interpretation and impressions. Accounts of one executive were checked against the accounts given by another executive for corroboration. Several rules suggested by Yin (1984) were also followed. First, detailed interview notes and impressions were completed within one day of the interview. Second, all data was taken down regardless of its apparent importance at the interview. Third, ongoing impressions were included at the end of the interview notes. In addition to the extensive notes taken by both researchers, all of the interviews were taped, to ensure completeness of the data.

Secondary-Source and Other Data

The following additional sources of information were collected:

1. Company executives were asked to supply copies of market studies, financial analysis and/or proposals conducted on the U.S. expansion. Interestingly, although each company stated that they went through these processes, no documentary evidence was retained.

2. Annual and financial reports, during the period under investigation were collected and read.

3. Investment research reports produced by retail investment analysts were collected whenever possible. (the acquisitions of U.S. companies by Canadian Tire Corporation and People's Jewellers were covered extensively by Burns Fry Limited)

4. A review was conducted of all published reports in Canadian newspapers and business magazines.

This additional information was used to improve the reliability of interview data.

Additions to the Data Collection Process

During the course of the data collection process, two conferences dealing with doing business in the United States were attended. They were:

1. "Doing Business in the United States - The Opportunity and the Reality": the 32nd Annual London Conference held at the University of Western Ontario, on May 11th, 12th, and 13th, 1988.

2. "Selling into the U.S. Market" - held by American Express Canada, Inc. and Canadian Business Magazine on June 13, 1988, in Toronto.

The two conferences were excellent sources of information for the thesis topic. A summary of the relevant points is presented in Appendix 8.

3. ANALYSIS

Each company was first analyzed individually to identify variables which contributed to the companies success or failure, from a both a cultural, and a decision making perspective. The within-company analyses for the two companies that were unsuccessful in the U.S. market are presented in Chapter 6, and the analyses for the two successful companies are presented in Chapter 7. Once the within-company analyses were completed, an across-company analysis was undertaken to identify and develop insights into the decision making process of Canadian retailers doing business in the United States that could be generalized beyond a single company. This across-company analysis is presented in Chapter 8. The perceived cultural differences between Canada and the U.S., as well as their role in the decision making process, are presented and discussed in Chapter 9. The information gathered from the conferences attended was integrated into the analysis throughout Chapter 9.

Footnotes

(1) Two researchers conducted the interviews. The other, Terry Hildebrand, a doctoral student at the University of Western Ontario, and a close colleague of the researcher's, was examining the entry and adaptation process of Canadian retail firms entering the U.S. market. Due to the small sample of firms available, and the overlap of information gathered, it was considered more efficient and effective to gather the data during the same interview. The information was mutually interesting, and it would have been unrealistic to expect managers within the same company to allow the time for two separate interviews.

CHAPTER 6 - THE UNSUCCESSFUL COMPANIES: WITHIN-CASE ANALYSES

INTRODUCTION

Phase 1 of the research design involved studying the decision making processes within four Canadian retail firms which entered the U.S. market. Two of these firms were considered to be successful in the U.S. market and two were considered to be unsuccessful. The objectives of Phase 1 were twofold. The first objective was to learn what factors contributed to successful or unsuccessful decisions and decision making processes for Canadian retail firms entering, and doing business in, the U.S. market. The second objective was to determine whether the executives from the four Canadian retail firms found the U.S. culture and/or the U.S. ways of doing business to play a role in their success or failure in that market. This included determining what the executives perceived the cultural differences between Canadians and Americans to be.

Both objectives were accomplished by interviewing the top management team members in each of the four Canadian retail firms that had entered the U.S. market. The top management team in each company consisted of the CEO/President of the company, and those executives he identified as being influential in the decision making process related to the U.S. venture.

Team members were asked to recount the decision making process within their firm regarding the strategic decision to enter the U.S. market, and the subsequent related decisions. Thus, the decision making process was traced throughout three phases: pre-entry, entry, and post-entry. Executives were also asked about their perceptions of cultural differences between Canada and the U.S., in each of the three phases, to identify the impact of culture on their success or failure in the U.S. market.

The interview data will be presented and analyzed in the following way. First, a summary of each company's experience in the U.S. market will be provided. Second, a detailed analysis of each company's strategic decision making process will be presented in case format. A case format was chosen for two reasons -- because it is more conducive to describing the decision making **process** than other methods of presentation, and because it allowed the researcher to record individual company differences. However, to make the cases comparable, the decision making process within each case is discussed under three major headings: pre-entry, entry, and post-entry. Under each heading, each company's experience is also analyzed under the decision making categories outlined in Figure 17. However, some cases may include additional categories, if necessary, or combine categories, to improve the flow of the information.

The presentation of the qualitative data begins, in the current chapter, with the with-in case analyses of the two companies that were considered to be **unsuccessful** in the U.S. market -- Mark's Work Wearhouse and Canadian Tire Corporation. Chapter 7 provides the within-case analyses of the two companies considered to be **successful** in the U.S. market -- Peoples Jewellers and the Grafton Group (1). Chapter 8 provides an across-case analysis of the four companies to determine the patterns differentiating them from a decision making perspective. The insights and conclusions derived from analyzing the decision making processes are also presented. In Chapter 9. the cultural differences found by the executives are summarized and discussed under five major headings.

MARK'S WORK WEARHOUSE

Mark's Work Wearhouse is a clothing retailer specializing in work wear. It was ranked as Canada's fourth largest clothing retailer, based on its 1987 profits. It operates 109 stores nation-wide. Its sales in 1987 were $175,918,000. The company is run by two brothers, Mark

FIGURE 17

I. PRE-ENTRY

1. Decision to Enter
2. Structure for Managing the U.S. Decision
3. Pre-Entry Orientation of the Top Management Team
4. Preparation
5. Information Sought
6. Expectations and Goals

II. ENTRY

1. Strategic Decisions Made
2. Structure for Managing U.S. Decisions
3. Initial Performance
4. Entry Orientation of the Top Management Team
5. Subsequent Strategic Decisions

III. POST-ENTRY

1. Post-Entry Orientation of the Top Management Team
2. Lessons from the U.S. Experience
3. The Future

IV. ANALYSIS

Figure 17. Structure of the Within-Case Analyses

Blumes, the president and CEO of the company, and his brother Moe, who acts as the company's Chief Financial Officer. The company entered the U.S. market with a greenfield operation in 1981, and withdrew in 1987. The following summarizes the company's background, and outlines its experience in the U.S. market.

Mark's Work Wearhouse was founded by Mark Blumes, who saw a market need for a retailer who sold workwear which catered to the working man. Although department stores usually sold work clothes, such as work boots and jeans, they were frequently located in separate departments, often in the basement, making them difficult to access. Furthermore, the clothes were rarely of high quality, according to Blumes, nor were they targeted to the working man. Instead, these stores assumed that work wear was purchased by men's wives, and that they were looking for something inexpensive.

Mark Blumes believed that men preferred to shop for themselves and that they sought high quality work wear, at reasonable prices. Therefore, he developed the Work Wearhouse concept. The company was incorporated on April 12, 1977, and the first store was opened on August 17, 1977, in Calgary, Alberta.

The store's early success led Mark to expand rapidly throughout Canada. In this process, Mark created several joint ventures. In 1980, it was decided that the company would offer stock to the public, to simplify, coordinate and control the 33 stores at that time. Mark's twin brother, Moe, a Chartered Accountant and partner in Thorne Riddel in Toronto, Ontario, orchestrated the public offering with Mark. In May of 1981, Moe joined Work Wearhouse full-time, as the executive Vice President and Chief Financial Officer. As a result of the public offering, the company had $50-60 million dollars in capital to use for expansion and development purposes.

The funds from the public offering were put toward further expansion, which doubled the size of the organization. By the end of 1981, the company had 66 stores across Canada. Sales climbed from $40.7 million in 1980 to $81.7 million in 1981. Every Work Wearhouse store was operating at a profit.

Over this period of rapid expansion, Mark became interested in the U.S. market. Mark had been approached in the summer of 1980 by Craig Fetzer, an American, who owned an advertising firm in the U.S. Craig was convinced that the Work Wearhouse concept would do well in the U.S. and offered to help Mark enter that market. Craig's firm was noted for developing retail concepts, by aiding companies in site selection and design decisions, as well as for developing marketing and advertising campaigns. In July of 1981, Mark contacted Craig to discuss the idea.

Mark became enthusiastic about entering the U.S. market, and hired Craig to find potential sites in the U.S. market. Mark's Work Wearhouse entered the U.S. market via two greenfield sites, in the fall of 1981.

Over the period from 1982 to 1985, the Canadian organization faced serious operating problems. The effects of the National Energy Program, introduced by the Canadian federal government, had a dramatic effect on the economy of Alberta, due to its pronounced dependence upon oil and gas. The province entered a recession, affecting the majority of businesses in the economy. Many of the company's resources (financial, managerial) were directed toward saving the Canadian operation. In addition, the rapid growth of the Canadian organization, without the required systems and structure, also contributed to the company's problems.

Mark and Moe spent little time in the U.S. and relied on Craig to keep them updated about the U.S. operation. Initial performance results indicated that two stores were struggling.

The company's executive committee decided to expand the U.S. operation, in an attempt to create economies of scale.

In 1982-83, the U.S. operation was still not making a profit. At the end of 1983, the company further expanded to Utah, where Craig felt he could do a better job, since he was based there. However, profits continued to elude the operation.

The company management, somewhat concerned at this point, developed a re-merchandising strategy, and hired Garf Bryson to manage the U.S. operation. Garf had 20 years of experience in retailing. He had a long term strategy for success, but was faced with a parent company whose resources, by this point, were seriously constrained.

In 1986, the U.S. operation was losing more money than ever. No one wanted to be associated with the U.S. The company became seriously affected by the low oil prices, making it unprofitable to drill for oil. Since Mark's Work Wearhouse had located in oil-related areas, its business was seriously affected.

Although Garf had very clear ideas of how to operate in the U.S. and was prepared to make a long term investment, shortly thereafter, economic conditions hindered sales. All of the stores were located in dying towns and the Canadian operation did not have the financial resources to weather the storm. It appeared that Garf was brought in too late. The executive committee in Calgary decided that resources would be put to better use in Canada. It was decided to close the U.S. operation. On January 14, 1987, the U.S. division of Mark's Work Wearhouse filed for bankruptcy with the U.S. Bankruptcy Court. This marked the end of 4 and 1/2 years of operation in the U.S.

THE STRATEGIC DECISION MAKING PROCESS

I. PRE-ENTRY

1. Decision to Enter the U.S. Market

Mark Blumes, the CEO and founder of Mark's Work Wearhouse, began thinking about the U.S. market in the summer of 1980, after being approached by Craig Fetzer, the owner of a U.S. advertising agency. Craig company specialized in developing retail concepts by aiding in site selection and design decisions, and by developing marketing and advertising campaigns. Craig felt that the Mark's Work Wearhouse concept would work well in the U.S., and offered to help Mark enter that market.

Although not initially interested, several events took place over the period from 1980-81 which heightened Mark's interest in expanding into the U.S. market. First, the company had been a huge success in Canada and had recently issued public stock. The capital generated from the public offering was put toward a rapid expansion program within Canada. Within one year, the organization doubled its size in terms of number of stores and sales volume. This created a mentality within the company that anything was possible. Mark commented,

> We had a feeling that we could do anything, that the world was our oyster. There was a sense of omnipotence.

When asked about the decision to enter the U.S., he added,

> We thought 'Why not go into the U.S. -- we can't be beaten.' We had the idea that bigger was better. We were caught on a wave and had a mentality of 'who cares?' and 'why not?'.

Therefore, the decision resulted, in part, from a feeling that the company was invincible. This confidence within the company was compounded by the 'boom' atmosphere present in Alberta at the time.

Second, due to their success in Canada, the company's management believed that the Mark's Work Wearhouse concept was so unique that it would do well anywhere. Mark commented on his view of the concept, "It was better than Canadian Tire, but not quite as good as McDonalds."

Third, the decision to enter the U.S. was also partially an offensive strategy. The company had run into Canadian competition which had attempted to imitate the Work Wearhouse concept. This led Mark to believe that he should move into a new market, in order to protect the concept. He felt that the concept would be new to the U.S. market and, therefore, the company could operate there without any direct competition.

Finally, Mark liked Craig from the moment he met him. Craig believed the concept could work in the U.S., and Mark believed in Craig. As Moe Blumes, the Chief Financial Officer noted, "The criteria at the time for being hired was whether Mark liked you".

2. Structure For Managing the U.S. Decision

The same structure was used for managing the decision to enter the U.S. market as was used for any other strategic decision in the company -- the company's executive committee. Although entering the U.S. market was Mark Blumes' idea, the actual decision was not made until he had discussed it with the other members of the executive committee -- his brother, Moe Blumes, the Chief Financial Officer of the company, and Bruce Libin, Mark's lawyer and close personal friend. With respect to Mark's Work Wearhouse entering the U.S. market, the other two committee members stated, "I was passive about the decision to go into the U.S." (Moe Blumes), and "I thought it was a good idea" (Bruce Libin).

However, once the decision to enter the U.S. was agreed upon, the three committee members were more equally involved in the strategic decisions relating to the U.S. venture. The role of the individual members of the executive committee were as follows: Mark was responsible for strategic decisions that involved merchandising, marketing and product assortment; Moe was responsible for the financial and administrative decisions made; and, Bruce's role was to act as a third party, and to "help formulate a consensus between the brothers when needed". He was used as an advisor and a sounding board for ideas.

The three committee members agreed that they rarely had difficulty coming to a consensus on important decisions. Conflicts and disagreements were talked out and resolved quickly. Each of the three team members met, or talked, on a daily basis. There was no specific time set for more formal meetings. Rather, they were arranged among the three when required.

Once the decision was made to enter the U.S., Craig Fetzer was contacted, and he also became involved in the decision making process. Therefore, throughout this case, Mark and Moe Blumes Bruce Libin, and Craig Fetzer will be referred to as Mark's Work Wearhouse's top management team (top management team).

3. Pre-Entry Orientation of the Top Management Team

The top management team at Mark's Work Wearhouse knew nothing about the U.S. retail market before they entered it. Even Craig Fetzer, who had encouraged Mark to enter the U.S. market, knew very little about actually doing business within it. Although Craig was an American who developed retail concepts, he primarily worked as an artist and design specialist. Therefore, he was also not knowledgeable about the U.S. market for work wear.

In addition, none of the decision makers had any previous operational business experience in the U.S. market. When asked about their assumptions about the U.S. market before entering it, the top management team concurred, "We thought it was just like Canada, only bigger". Therefore, they did not foresee that there would be any problems specific to operating in the U.S. -- at least no worse than what they had experienced opening new locations within Canada. Mark commented, "We believed that the company could operate just as easily in the U.S. as in Canada. Whatever we came up against, we could handle -- we were that good -- at least the concept was." Moe added, "We felt like we were omnipotent. Really, we were vulnerable because we were so impressed with our success".

Furthermore, expanding into the U.S. was looked upon in the same way as expanding into any other region in Canada. It was viewed as insignificant and experimental. Mark emphasized, "We really adopted an attitude at the time of "Who Cares?" and that we could not be beaten. Everything was going very well for the company."

4. Preparation

In late August of 1981, Mark met Craig and decided he wanted to go ahead with expansion into the U.S. market. Specifically, he wanted two stores opened by Octobor of that same year. Therefore, time allowed for preparation was minimal.

Mark hired Craig to perform market studies on potential sites in the U.S. market. Mark developed two criteria for site selection. First, only cities with less than 50,000 people would be considered. He wanted to protect the 'concept' and felt that the best way to do this was in a small place, where he could open quietly and inconspicuously. This, he felt, would not attract the attention of competitors.

The second criterion for site selection was that the sites be in areas with blue collar related industries. The rationale for this decision was that the concept had worked well in these areas in Canada, so Mark wanted to set up in an area in the U.S., with similar characteristics.

From the outset, the top management team at Mark's Work Wearhouse had decided to replicate what had been done in Canada. Therefore, preparation involved having Craig find sites that would allow them to do this. Craig investigated nine cities, in five states, that met the criteria, and that were also available within a very short period of time (Mark had indicated he wanted to open within 2 months). Because the company management felt that opening in the U.S. was no different than opening in Canada, they assumed it could be done within a very short period of time.

5. Information Sought

Within the nine cities Craig investigated, his research included: an analysis of competitors in the area (who they were, their product lines, pricing strategies, store images); research on available sites (as in Canadian locations, they were looking for stores that were 8,000 - 10,000 square feet in size); population surveys; work force studies; and an analysis of growth trends.

Overall, the results of Craig's research indicated that there were characteristics of the U.S. market that were very different than what the company had faced in Canada. For example, the competitive analysis revealed that retailers in the area were far more specialized than Work Wearhouse's Canadian competitors, with the exception of chain stores like J.C. Penny and Sears. Stores tended to be relatively small (3,000 - 4,000 square feet) and carried a narrow mix of product lines. In addition, sales prices, and therefore profit margins, were much lower in the U.S., especially for jeans. However, the analysis did show that the overall Mark's Work Wearhouse concept was unique to these areas. That is, no other U.S. retailer could be found who sold the same collection of goods that Work Wearhouse did, under one roof.

Given the latter piece of information, the top management team members were convinced that the Work Wearhouse concept was so powerful, that they could overcome any problems unique to operating in the U.S. Despite the fact that jeans were Work Wearhouse's mainstay in Canada, and sold at a much higher price, the company's management believed that they could increase their sales volume, making the reduced margins in the U.S. unproblematic.

Therefore, the evidence suggesting that things were done differently in the U.S. was discounted by the top management team. The research findings were not incorporated into the strategic decisions related to the U.S. because the company management did not think they warranted changing the Canadian strategy.

No other information was sought before entering the U.S. market. The top management team did not believe there were any differences between the U.S. and Canada on a cultural level. Therefore, research into this area was not undertaken.

6. Expectations and Goals

Although everyone expected the concept to do well in the U.S. market, Mark and Moe indicated that they did not have any specific goals for the U.S. operation. "Well, I guess we thought that if we had 30 stores in Canada, then we should have 300 stores in the U.S.", stated Moe. Again, they did not see any differences between the two markets, other than size.

II. ENTRY

Of the potential sites investigated, the top management team decided to enter the U.S., via a greenfield site, in Rock Springs, Wyoming. Rock Springs was the team's second choice, after Casper, Wyoming. Both were in small U.S. cities (Rock Springs was smaller than Casper), with economies that were oil-related. Casper was more attractive because it was also expected to grow significantly. However, there were no appropriate sites available in Casper. In order to get the site in Rock Springs, the company was also forced to take a site in Pocatello, Idaho. Craig's research had indicated that Pocatello was a farming community with a slow population growth. Although Craig Fetzer did not think that this was a wise decision, the company's management decided to go ahead with it anyway. Moe summarized the rationale behind the decision:

> In Rock Springs, we thought we were just opening up another Red Deer (Red Deer, Alberta was where the most successful Canadian store was located). We thought it was going to be so easy in Rock Springs -- it was an oil patch in the U.S. We decided that we had better open in Mid-America, to iron out the U.S. problems. If we made in in Pocatello, then we could make it in one hundred like communities across the U.S.

The company's management team perceived the U.S. to be the same as Canada. Therefore, they believed that the company would have to be faced with a somewhat difficult location in the U.S. to learn anything about operating in the U.S. market.

Mark's of Wyoming (the U.S. operation) was incorporated within three months of the first meeting between Craig and Mark. The Rock Springs store was opened in November of 1981 and the Pocatello store in December of that same year.

1. Strategic Decisions Made

The top management team believed that there were no differences between operating in the U.S. and Canada. Therefore, their strategic decisions, in terms of how the company would enter the U.S., its strategy, product line, marketing approach, and so on, were basically handled as they had been in Canada. Furthermore, the strategy did not incorporate any of the information obtained by Craig about differences between the U.S. and Canadian ways of doing business. Craig Fetzer commented, "They wanted to transfer the Canadian concept without any modifications."

For example, the leased stores were designed exactly the same as the Canadian stores -- large (8,000 -10,000 square feet). Stores were staffed with people who appeared to be friendly and casual, and who were educated in workwear. Moreover, Craig stated, "... we took the Canadian marketing campaign to the U.S....I wasn't in a position to advise them differently. My role was to transfer their concept to the U.S., not to change it."

The top management team felt that it was important to have both a Canadian (who knew the Work Wearhouse concept and the Canadian corporate culture), and an American (who knew the American consumer), managing the U.S. operation. Therefore, a Canadian was sent to manage one of the U.S. stores, and an American was recruited to manage the other. However, the Canadian operator sent to the United States was a junior level manager. He had been an assistant manager in one of the Canadian stores. Craig stated,

> This person was far too junior in position to be sent to the U.S. I was to work with him so I could learn more about Work Wearhouse...so I could help them market the concept further. I knew very little about it at this time, since we entered the U.S. only months after the first meeting with Mark.

Craig was also retained and made responsible for designing and opening the stores, leasing the store outlets, and for hiring the local manager for the Pocatello location. He was also asked to coordinate the activities of the two U.S. stores, since he was located in Salt Lake City and was, therefore, much closer to the U.S. operation. In addition to knowing very little about Work Wearhouse, Craig was also involved in running two other businesses of his own at the time.

2. Structure For Managing U.S. Decisions

The key strategic decisions for the U.S. operation were made by the Canadian executive committee in Calgary. Although the U.S. operation was set up as a separate company, with an independent accounting and banking system, it was handled very much like another regional opening in Canada. Mark and Moe rarely travelled to the U.S. operation. They relied on Craig to travel to Canada once a month to keep them informed about what was going on. When Mark did go to the U.S., he concentrated on examining the merchandising content of the stores, and their marketing strategies. Moe's activity in the U.S. tended to involve financial issues, such as bank financing and negotiating leases. The U.S. operation was considered secondary to the Canadian business.

3. Initial Performance

The initial performance results for the U.S. operation indicated that neither of the two stores were profitable. Although the Rock Springs store had good sales, its higher than expected overhead expenses eliminated any profits. The Pocatello store was struggling. Why? The top management team indicated that once they entered the U.S. market, they found it to be very different than what they expected, and what they were prepared for. Their orientation upon entry will now be discussed.

4. Entry Orientation of the Top Management Team

Upon entry into the United States, the top management team's perceptions of that market changed dramatically. Mark commented, "The move to the U.S. was a big lesson in Canadian American culture." The difference in the two cultures created "...vast differences in doing business between the two countries." One of the major differences between Canadian and American retailers, noted by the top management team, was a competitive, winning orientation. Mark explained,

> Whereas, in Canada, loyalty, being nice, and trying hard count, in the U.S., winning is everything. Americans have an attitude of winning. They'll do what's necessary to beat out their competition, but it's not personal.

Craig agreed, "The attitude here (in the U.S.) is that you're here to win. If you're going to succeed you have to win. And, how you win is to stamp out your competition."

Craig also noted that, "There were some vast cultural differences between the two (countries)." One was in the area of risk taking:

> The U.S. government encourages risk -- for example, to expand your business. In Canada, taxes increase as the number of employees increases. In the U.S., you pay less tax the more people you employ. This leads to a high incentive to expand and to remain competitive. From a tax perspective, bigger is more advantageous. Therefore, growth and risk taking are encouraged in the U.S.

This made Americans much more capitalistic, according to Craig. Moe also noted that the difference in risk propensity led to different spending habits among consumers in the U.S., which affected the retail business.

The top management team also found U.S. retailers to be much more aggressive. Craig stated, "There's a huge market to draw from. They seem less patient to sit back and wait. They have to get in and get what they can, because everyone else will." Craig also commented about the American desire to be in control of their own lives:

> Americans like to make their own things happen -- to be in charge of their own destinies. Maybe when you don't have things given to you, you are a little more aggressive to get them. If you want to go down to the U.S. and compete, you've got to take on that aggressive attitude...because everyone else has it.

The top management team was also struck by the type of retailer they faced in the U.S. Mark stated,

> Things were much more difficult in the States....Everyone down there was better...In the U.S., managers must do what they say they will, and what they budget for, or they are fired. This leads them to very aggressively control overhead expenses and makes them very difficult to compete with."

Moe added,

> Good old Yankee know-how is pretty good. As competitors, they're tough. They know what works. They're very aggressive, very, very sophisticated -- they're more experienced.

When asked why they felt these differences existed, the consensus was that it had to do with the backgrounds of the two peoples, which led to the amount of government involvement desirable. In the U.S. people had to work because they did not have the social support programs available in Canada for those who could not work.

The company executives stated that they were also unprepared for the "...vast differences in ways of doing business between the two countries", many of which were culturally based. For example, the company management found that there was a major difference in supplier relationships in the U.S., compared to Canada. In Canada, Mark's Work Wearhouse had very good relationships with its suppliers, and had no trouble obtaining products when needed. Mark commented,

> In Canada, we were Levi's largest customer. However, suppliers in the U.S. saw us as unimportant and treated us as unimportant. Down in the U.S., "money talks". Suppliers are not interested in you unless you are big.

Therefore, Canadian buyers for the U. S. stores had trouble obtaining the desired product lines, in the sizes they wanted and at the times they wanted them. (It was imperative that the product line be sourced from U.S. suppliers. High production costs made Canadian products too expensive compared to U.S. products. In addition, the cost of shipping from Canada would have made this an even more expensive alternative.)

This came as a huge shock to Work Wearhouse executives, because they had expected supplier relations to be the same as in Canada. Yet, Craig noted, "In the U.S., you deal with supplier reps. Those reps control areas of the country and when you become more important to each rep, things happen. In the U.S., 100 stores only begins to be significant." Mark added, "There's no relationship building in the U.S. -- they have no sympathy for single customers."

Another important difference in doing business in the U.S. had to do with the nature of competition. Executives agreed that Americans were much more competitive than Canadians. Because the Work Wearhouse concept was assumed to be new to the U.S., the top management team did not expect any direct competition. But, Craig noted, "In the U.S. there was much more competition -- Canadian competition magnified by ten times. Although there was no Work Wearhouse concept in the U.S., every product we sold was sold by some one else - usually better." Mark was particularly shocked, "It wasn't just competitive, it was a bloody war!"

In addition, the executives had assumed that competitors in the United States would behave as competitors had in Canada. Mark and Moe explained that, in Canada, when Work Wearhouse opened in a new location, the competition would roll over and die, because they knew the Mark's Work Wearhouse name was so well known, they wouldn't have a chance. Moe provided an example, "In Yorkton, Saskatchewan, we entered a mall. The only other retailer in the mall who sold work wear discontinued carrying the products because Work Wearhouse was so well known." The opposite occurred in the United States. Mark stated, "In Rock Springs...they used every battle ground they could. They locked us out of resources, cut prices, and employed advertising campaigns." Moe added, "After Work Wearhouse implemented their low price strategy, the competition lowered their prices, and increased their promotion. Their arsenal was impressive." According to Mark, this meant that it was much more important in the U.S. that a very strong marketing campaign be used every time a company entered a new market, to establish market share.

The Canadian management team also found U.S. retailers to provide more impressive customer service than found in Canada. They had to work very hard just to compete. Although service was considered a key success factor in Canada, giving the company a competitive edge, Mark explained,

> Exemplary service in Canada and in the U.S. are different things. The level of service is far superior in the U.S. because Americans have nothing to fall back on if they do not have a job. Down there, if you don't work, you don't eat. In Canada, an entry level job and unemployment are relatively equal. In the U.S., entry level jobs are a way to eat and survive.

Overall, the company management encountered serious performance problems after making the false assumption that the U.S. could be managed in the same way as Canada. First, they were not expecting any competition, since the concept was assumed to be new to the U.S., and because they had opened quietly, in small, more remote areas. Second, they were unprepared for the nature of competition in the U.S., because they had assumed it would be similar to Canada.

5. Subsequent Strategic Decisions

After learning that the initial performance results for the U.S. operation were poor, the top management team decided to expand the U.S. operation. The rationale for the expansion was the following. With a greater number of stores, Mark felt that the company would become more important to its suppliers. Second, expansion would allow the company to establish sufficient economies of scale to absorb the high overhead costs. Therefore, the top management team decided to build a network of stores around the two existing stores.

During October and November of 1982, stores were opened in Casper and Gilette, Wyoming, respectively. Both were in oil and gas related areas, which was where Canadian stores had done well. In November of 1983, another new store was opened in Idaho Falls, Idaho. All three stores were opened in the same manner as the previous two, replicating the Canadian concept as much as possible. Local managers were hired to run each of the three stores. Craig Fetzer coordinated and organized the activities of the five stores operating in the U.S.

In 1982--83, the U.S. operation was still not making a profit. Although the U.S stores had high sales volume, they weren't making sufficient margins to cover the cost of operating the stores. Craig stated, "We learned very early on that we could sell a tremendous amount of jeans but only at a low profit. We could never win the jean business in the U.S. unless we got to be a very large operation."

Mark's Work Wearhouse began to learn that locations were much more important in the U.S. than in Canada. Because of the intense competition, it was much easier to compete if your location was good. At the end of 1983, it was decided that the operation should expand into a major U.S. metropolitan area. The reasoning was Canadian-based. Moe explained, "We were starting to realize, in Canada, that we could manage metropolitan areas better than local markets."

Therefore, the company tried to transfer what had been successful in Canada to the U.S. Salt Lake City was selected for four reasons:

1. Craig was there and he supposedly knew the area
2. the economy was reported to be strong
3. it was between Wyoming and Idaho, so the company could continue building a network of stores
4. the company management knew developers in the area

Stores were established as follows:

Midvale, Utah -- October, 1984

Salt Lake City, Utah -- October, 1984

Salt Lake City, Utah -- October, 1985

However, Moe stated, "The decision to locate in Salt Lake City never sat well with me. It was more a decision to honour Craig than anything else." Craig believed he could do a better job running the U.S. operation if he had stores located close to his office.

The company management also decided to transfer another concept that had worked well in Canada to the U.S. In Canada, the company used distribution centers in which large trucks would travel to, and unload merchandise. Smaller trucks were then used to deliver to each store. But, Moe commented, "It didn't work well in the U.S. Things just had not been done that way. The whole warehouse decision was a "me too" kind of management. We have one in Canada, so we said "me too" for the States."

The decision was also made to send Colin Laker, a Canadian operator, down to help Craig manage the business. It had become obvious to everyone, including Craig, that he did not have the skills to effectively manage the U.S. operation. The following comments reflect this:

> I wasn't a very good choice for operations. My background is marketing and advertising. In retrospect, this really was not a good choice for the company, or me, but there really wasn't anyone else. No one from Canada was interested in going to the U.S., and it is difficult to get a work visa. (Craig)
>
> There isn't a more creative designer and artist. But as a manager, he's hopeless...Fetzer knew nothing about merchandising. (Moe)
>
> Craig is a talented artist but he's not a merchant. He didn't have a passion for the business, which is so important for sustaining and achieving success. You need to really care about the customers...Craig never put a key in the door on a Saturday. You can't run a business that way. (Mark)

In 1984 and 1985, sales volume continued to increase, but the operation continued to be unprofitable. The 1986 annual statement included the following quote, "The key to a bold and bright future in the U.S. is elusive, but we all believe it will be found."

In 1986, the management team decided to change its merchandising strategy. The business had been based on promoting jeans and other low priced items, as had been done in Canada. However, the Canadian management had learned that this strategy was not producing a profit for the U.S. operation. Margins were too low and the competition was too intense. Therefore, the company management decided to go back to the basics of work wear, and sell items such as overalls. Margins were far superior, although the volume sold would be lower.

To complement this longer term approach, the company hired American Garf Bryson to take over the management of the U.S. operation. Craig Fetzer was asked to join the Canadian organization, as the Vice President of Marketing. Colin Laker remained in the U.S. as a principle buyer.

Garf Bryson had over 20 years of experience in retailing and had 'visions' of how to turn the company around. His strategies were long term, focusing on improving buying strategies and profit margins, by focusing even less on jean sales. Unfortunately, by this time, the Canadian organization did not have the necessary resources to commit.

By mid-1986, the oil industry was having further problems. Since Work Wearhouse was located in oil-dependent areas, its business was seriously affected. In addition, the management had failed to take into account that Salt Lake City was a traditional mormon community. Thus, the majority of families in the area were supported by one income, leaving the amount of disposable income very low. This led to serious price competition among retailers, with low profit margins resulting. In addition, the advertising costs were extremely high.

The U.S. operation was losing more money than ever. Everyone in Canada wanted to dissociate themselves from the U.S. Moe stated,

> In the last months, we couldn't get anyone down there...the stores were running from one strategy to another, with no long term investments. There was always another bright new idea to save the business. There was a lack of understanding of what we wanted to be in the U.S., and the execution was lousy.

It had become clear to everyone that there was little hope for the U.S. operation. Its stores were situated in poor locations, there had been a severe economic downturn, and the Canadian organization did not have the resources to finance it any longer. It was decided by the executive committee, in Calgary, that the resources being used in the U.S. would be put to better use in Canada. Therefore, they concluded that Mark's Work Wearhouse should exit from the U.S. market.

III. POST-ENTRY

On January 14, 1987, after four and a half years of operation, the U.S. division of Mark's Work Wearhouse filed for bankruptcy, with the U.S. Bankruptcy Court.

1. Post-Entry Orientation of the Top Management Team

The executives interviewed talked openly about the U.S. experience. The reasons Mark's Work Wearhouse failed were discussed by the members of the top management involved. Mark reflected,

> We got beaten up...we simply weren't good enough. I still think the concept was -- but we weren't....Things were much more difficult in the States. The geography of Canada and the population make it very unique for retailing. Certain things (selling points, marketing) work well in Canada, others in the U.S. They don't cross the border.

Moe commented on the U.S. experience from a financial perspective:

> The problem was that there was no one with a bottom-line discipline in the U.S. operation. Financial statements and budgets were prepared, but they were not very believable. There was no commitment to them. The data base was weak and messy so the budgeting process was basically futile. We tried endless fixes, but nothing worked We never knew what we lost until we left the country.

Craig Fetzer noted, "The concept strategy was never adjusted as much as it needed to be. We didn't take the concept to a size it needed to be to compete in the U.S. market -- 3-4,000 square feet stores -- a specialty retailer." Instead, the U.S. operation was set up in the same way as the Canadian operation. Craig also stated,

> You can't be small and go into the U.S. and do well in retail, because you rely on too many people to get what you need. In Canada, we are a relatively big deal with many suppliers, we are their biggest account. That just wasn't the case in the U.S., and it wouldn't have

> been for a long time. We learned that to be important to supplier reps, that we needed on area of stores. But, in the U.S., 100 stores only begins to be significant.

Other comments on the reasons for failure were the following:

> "We were learning about American differences, but we had a Canadian buyer." (Craig)
>
> "The U.S. operation never had the financial backing to do well." (Moe)
>
> "We didn't really ever transfer what was done well in Canada to the U.S. In Canada, we're organized to have someone run each market. In the U.S., we didn't have anyone in charge, nor did we have a merchandising specialist. We didn't have anyone with a bottom-line focus in the U.S., or with a merchandise focus. So we were dead from the neck up from day 1." (Moe)

There was also much less communication in the U.S. than in Canada. Craig noted, "In Canada, there's hardly a day that goes by that I don't meet with one of the two (Mark or Moe), or both. In the U.S., someone came down about every three months."

Bruce Libin commented, "They were fiscally, emotionally, and managerially undercapitalized." There was a dislocation of management -- Fetzer was in Salt Lake City, yet the stores were in Wyoming." Bruce noted three other reasons the company failed in the U.S. market:

> 1. There was a loss of commitment along the way. Management interests were so diluted that they couldn't focus on the U.S., yet there were major problems in the U.S. -- Mark's Work Wearhouse is not deep in management, so they didn't have a middle layer that could jump in if they were gone. Even if they could have spared them in Canada, they wouldn't have been interested in going.
>
> 2. There was a lack of ability to commit resources.
>
> 3. They didn't have retailers running the business.

When asked if more research or preparation for the U.S. market would have helped, Mark said, "Research may have helped. But, getting beaten up is real. You experience it." He then added, "The U.S. is tough, but it isn't undoable. You just have to be better than I was...I wasn't an effective enough leader and the lieutenants weren't good enough."

2. Lessons From The U.S. Experience

All of the top management team members interviewed were asked what lessons they had learned from the U.S. experience. A summary of the lessons is presented below.

1. You need an objective. Mark stated, "We went for fun, not for serious. It was not planned, or thought through. We went on the basis of "Who Cares?".

2. Plan ahead. Mark commented, "We now spend a lot of time in the U.S. learning about them. We could go down there again, but we would need 2-3 years ot product development and relationship building."

3. Realize that the time line to success in a different culture is longer. "There are no overnight successes. Therefore, you need a lot of patience and capital to survive the time required. You also need very dedicated individuals to learn about the other country", commented Mark.

4. Go big enough that it means something to you. You have to want to WIN. Go focussed!

5. You need a passion to be there and to succeed (a winning attitude). Mark exclaimed, "You have to be willing to put your heart and soul into it."

6. To be successful in the U.S., you need an existing network of suppliers.

7. You need to be smart and tough because U.S. competition is very strong.

8. Send one of your best people to run the operation or hire a talented person. The person needs to be a very strong, mature merchant, and it helps if they have a bottom-line focus.

9. If you want to go down there and compete, you've got to take on that aggressive attitude...because everyone else has it.

10. Form an alliance with a specialty retailer in the U.S. so you can tap into his established networks. You need to employ more local people from the industry, and not hire a marketing person for operations, or management.

3. The Future

At the present time, Mark's Work Wearhouse executives are concentrating their efforts on the Canadian market. Mark is focusing his attention on improving the stores' merchandising and on implementing staff training courses. Moe is focused on improving the company's in-house systems and budgeting process, as well as other administrative concerns. But Mark stated, "Someday, I hope I'll be good enough to go back in".

Figure 18 summarizes Mark's Work Wearhouse's strategic decision making process.

IV. ANALYSIS

PRE-ENTRY

The problems Mark's Work Wearho .se experienced in the U.S. market developed as a result of its top management team's misperception of that market, from both a cultural and business perspective. From the outset, the perception of the top management team was that the U.S. was

FIGURE 18 - SUMMARY OF MARK'S WORK WEARHOUSE'S STRATEGIC DECISION MAKING PROCESS

I. PRE-ENTRY

1. DECISION TO ENTER THE U.S. MARKET

U.S. was not the focus of expansion, Canada was. Decision was not planned or thought through.
Viewed as insignificant and experimental.
Treated as another regional opening.
Management was not committed to making it successful.

2 PRE-ENTRY ORIENTATION OF THE TOP MANAGEMENT TEAM

a) Experience in/Knowledge of the U.S. Market

Top management team had no previous experience in, or knowledge of, U.S. market.

b) Perception and Assumptions about U.S. Market

Top management team had perceived the Canadian and U.S. retail markets to be the same as the Canadian, only bigger.
Top management team assumed that organizations in each of the two countries could be managed in the same way.

3. PRE-ENTRY STRATEGIC DECISIONS MADE

a) Preparation

(i) Mode of Entry

Top management team decided to set up greenfield operation, because this is what was done in Canada.
U.S. operation was viewed as another regional opening.

(ii) Preparation Time

Spent two months preparing to open in the U.S.
Established criteria for U.S. sites and locations that were the same as in Canada.

b) Information Sought

Within nine cities, analyzed competition, population surveys, work force studies, growth trends. Information found was interpreted from a Canadian frame of reference. Information was not incorporated into strategic decision making process.

c) Expectations/Goals For the U.S. Market

High expectations for U.S. operation, but no specific goals set. Therefore, no one committed to their achievement

II. ENTRY

1. STRATEGIC DECISIONS MADE FOR ENTRY

Strategy for U.S. operation developed by Canadian top management team. Attempted to transfer top management team. Attempted to transfer Canadian strategy/concept to U.S. market. Were never able to transfer Canadian key success factors.

2. STRUCTURE FOR MANAGING U.S. DECISIONS

Canadian top management team, in Calgary, made strategic, and other decisions for the U.S. operation.

3. EFFECTIVENESS (PERFORMANCE) OF INITIAL DECISIONS MADE

Canadian top management team felt shocked by, and unprepared for the U.S. market.

4. ENTRY ORIENTATION OF TOP MANAGEMENT TEAM

Canadian top management team felt shocked by, and unprepared for the U.S. market.

5. SUBSEQUENT STRATEGIC DECISIONS MADE

Top management team had to make alternate decisions to improve the performance of the U.S. operation. Blocked by their initial perceptions and assumptions about the U.S. market, the top management had difficulty learning about, and adjusting to, that market. As a result, subsequent strategic decisions were made based on initial assumption that the Canadian concept could work in the U.S. Therefore, these decisions were also inappropriate for the U.S. market. It was not until the U.S. operation continued to lose substantial sums of money, that the top management team began to question its initial assumption, and make decisions that were appropriate for the U.S. market.

III. POST-ENTRY

Could not survive; withdrew from the U.S. market.

Figure 18. Summary of Work Wearhouse's Strategic Decision Making Process

the same as Canada, only bigger. This was evident when Moe stated the top management team's initial expectations for the U.S. market, "...we thought that if we had 30 stores in Canada, then we should have 300 stores in the U.S." The top management team also believed that they could operate just as easily in the U.S. as in Canada. This was clear from the statement. "Whatever we came up against, we could handle -- we were that good -- at least the concept was."

This perception of the U.S. market led the company management to assume that the two countries were the same, and to make a number of strategic decisions incorporating this assumption. Their assumption of similarity, caused them to overlook what was necessary to be successful in that market.

For example, the top management team's assumption of similarity between Canada and the U.S. meant that they did not think it was necessary to spend much time in preparation for entering the U.S. market. Only 2 months elapsed between the decision to enter the U.S.. and the opening of the first two stores. This occurred because the management team at Work Wearhouse assumed that opening in the U.S. was the same as opening within Canada. Therefore, it could be done within a very short period of time. Indeed, the U.S. operation was treated very much like another regional opening. It was not considered the major strategic decision it later turned out to be. It was also considered in the same way as everything else at the time - insignificant and experimental. This was evidenced by the "Why not?", "Who cares?", "We can't be beaten" statements outlined in the case.

Mark Blumes wanted to enter into the U.S. in a small town, where he believed he could open quietly and inconspicuously, not attracting the attention of competitors. However, this criterion was established, based on the company's experience in Canada, and the assumption that the U.S. would be similar. This turned out to be an erroneous assumption. Although smaller towns in Canada do not present the competition found in larger centers, it was very different in the United States. Not recognizing the differences caused a great deal of problems upon entering the U.S. market.

The second criterion Mark chose was that potential sites be in areas with blue collar related industries. This was decided upon because it had worked well in Canada. Although it may have been a wise decision, it nevertheless points out, how the top management team's Canadian frame of reference determined their strategic choices for the U.S. operation.

Although the top management team did attempt to conduct some preliminary research, the results found were discounted -- primarily for two reasons. First, they had been so successful with Mark's Work Wearhouse in Canada, they were convinced that they could not be beaten in the U.S. Second, they felt that the 'concept' was unique to the U.S. market, so it would itself allow them to overcome whatever they were up against. Mainly, they were trapped by their assumption that the two countries were similar. They were guided by their Canadian frames of reference about how things were done, and believed that the U.S. was no different.

The other disadvantage of being trapped within their Canadian frame of reference was that it prevented the Mark's Work Wearhouse top management team from knowing what questions to ask, when investigating the U.S. market. In this case, the company was interested in finding out if the 'concept' was new to the U.S. When they found out that it was unique to the areas Craig investigated, they were relieved, believing that they would be filling a market niche. In Canada, if a retailer can fill a market niche, and do it well, he she has a good chance of being successful. However, in Canada, our market is much different than in the U.S. In the U.S., if a niche exists, one should ask 'Why does it exist?" Although no one store sold all of the merchandise Mark's Work Wearhouse did, many specialty retailers sold every type of merchandise Mark's did. And, because they were specialty retailers, they could afford to do the one thing they specialized in, better than a store trying to sell a broader product line.

ENTRY

The assumption of similarity also caused the company to try to transfer the Mark's Work Wearhouse concept, and its ways of doing business, to the U.S. market, without modification. Even the pre-entry research findings were not incorporated into the top management team's decisions, with respect to the U.S.. Stores were opened in what the team thought were similar locations to Canada, and the product line, marketing campaign, etc., were not changed at all. In addition, Canadians made the strategic decisions, and many of the operating decisions, for the U.S. operation. Moreover, the company relied on a Canadian buyer for the U.S. operation. This was a major problem, since supplier relations were so different in the U.S.

When they attempted to operate in the U.S., they found that what had worked in Canada was not working in this market. When it was recognized that there were vast differences in the cultures of the two countries as well as in the ways of doing business, the strategy was not adjusted. Subsequent decisions made continued to be based on the initial assumption that organizations in each of the two countries could be managed in the same way. By the time the company management believed that they should change the strategy, four years had elapsed, and it was too late.

Furthermore, because the company's top management team had no idea that the two countries were so different, they found themselves totally unprepared for the U.S. market. Consequently, it took a long time for them to adjust their old ways of thinking. Also, it was next to impossible to make the necessary adjustments. For example, once the large sized stores had been put into operation, it would have been very difficult to find new smaller sites, and move. Therefore, to a large extent, they were locked in. This strongly suggests that the Canadian operation should be fully prepared for operating in the U.S. market before they enter it.

Finally, the company did not have any appropriate way to learn about the U.S. market. The Canadian senior management were far too preoccupied with the Canadian operation. The executives at Work Wearhouse were attempting to deal with the rapid growth that had occurred. There was no appropriate infrastructure and the executives were trying to figure out what the Canadian key success factors were. In addition, the people running the U.S. were too junior to do anything but attempt to manage the store they were in. And, Craig was an artist, who knew nothing about operations, or even about the MWWH concept. In addition, once in the US. market, the company did not have time to spend learning. Their time was concentrated on surviving. They were in a survival mode when they should have been in an offensive, competitive mode. Only when Garf Bryson was hired did the company realize that they needed a top notch, experienced, U.S. retailer to manage the U.S. operation. Unfortunately, at this point it was too late.

Mapping The Strategic Decision Making Process

In Figure 19, the strategic decision making process in MWWH was mapped in order to diagramatically illustrate the steps involved. Although there is value in analyzing these diagrams for each company individually, the real value comes from analyzing the differences between the four companies. The objective of this analysis was to identify what leads to effective and ineffective strategic decision making processes for companies considering entering the U.S. market. Each case will be compared to the ones preceding it, to arrive at the steps involved in an effective strategic decision making process for entering the U.S. market.

FIGURE 19 - MAPPING THE STRATEGIC DECISION MAKING PROCESS AT MARK'S WORK WEARHOUSE

CODE: BLOCK = critical point in the decision making process contributing to its ineffectiveness.

INSIGHT = critical point in the decision making process contributing to its effectiveness.

MWWH = Mark's Work Wearhouse

1. DESIRE TO EXPAND CANADIAN OPERATION

Focus of expansion on Canadian concept, not on U.S. market.	BLOCK #1 (See below)

2. PRE-ENTRY PERCEPTIONS AND ASSUMPTIONS

Top executive team perceived Canada and the U.S. to be the same. Top executive team assumed organizations in each of the two countries could be managed in the same way. Top executive team believed in the invincibility of the Work Wearhouse concept and assumed it would do well in the U.S. market.	BLOCK #2 (See below)

3. DECISION TO ENTER U.S. MARKET

Decision to enter U.S. was initiated outside the company. Top decision maker became interested because he thought U.S. would be easy market to expand into. Top executive team perceived the MWWH concept to be invincible - wanted to expand it.	BLOCK #3 (See below)

4. GATHERED INFORMATION

Top executive team gathered information as they would if opening in Canadian retail market.	BLOCK #4 (See below)

5. PRE-ENTRY DECISIONS

Top executive team made decisions with respect to U.S. operation as they would in Canada. Decisions incorporated #3.	BLOCK #5 (See below)

6. PERFORMANCE IN U.S. MARKET

Decisions were ineffective for U.S. market.
Decisions did not 'fit' with U.S. market.

7. RECOGNITION OF NEED TO MAKE A CHANGE

Poor performance meant change was necessary.

8. REVISE DECISIONS FOR U.S. OPERATION

New decisions but based on same pre-entry perceptions and assumptions.	BLOCK #6 (See below)

9. PERFORMANCE IN U.S. MARKET

Performance continued to be poor.

10. RECOGNITION OF NEED TO MAKE A CHANGE

Top executive team realized it needed someone to help them in U.S. to make operation work. BLOCK #7 (See below)

11. MOUNTING LOSSES FORCED MWWH TO WITHDRAW FROM U.S. MARKET

BLOCK #1: The top executive team believed in invincibility of the Mark's Work Wearhouse concept. The company had been doing exceptionally well in Canada and the top executive team became arrogant, assuming that the concept would do well anywhere. The top executive team was interested in expanding the Canadian Mark's Work Wearhouse concept everywhere. It was not specifically interested in the U.S. market until Craig Fetzer suggested it. Once considered, the top executive team assumed that the concept could easily be transferred to the U.S. market. Thus, it was not the U.S. market that was of interest. It was the fact that it represented an additional market for the Canadian concept.

BLOCK #2: Blocked by misperception that U.S. was the same as Canada and faulty assumptions that organizations in each of the two countries could be managed in the same way. Falsely assumed could transport Canadian retail concept and ways of doing business directly to the U.S. market. This block could accurately be termed ETHNOCENTRISM, a term used to describe the tendency among people in one nation to assume that their way is the best way and to minimize cultural differences between themselves and other nations.

BLOCK #3: Canadian top executive team was largely focused on the expansion taking place in Canada. Therefore, it was not prepared to fully commit its time and energies to the decision to enter the U.S. market. It entered that market because it thought it would be the same as expanding in Canada.

BLOCK #4: Information about the U.S. market was gathered using a Canadian frame of reference. The criteria used for setting up operations in the U.S. were the same as had been used in Canada. Moreover, any additional information gathered that was unique to operating in the U.S. market was discounted because it was interpreted from a Canadian frame of reference, making it appear unimportant.

BLOCK #5: Incorporated misconceptions and faulty assumptions into strategic decisions related to the U.S. venture. Made decisions for U.S. operation as they would in Canadian.

BLOCK #6: Incorrectly revised decisions without questioning initial perceptions or assumptions about the U.S. market. Blinded by Canadian frame of reference. This led to further ineffective decisions.

BLOCK #7: Continued inability to adjust to U.S. market and ways of doing business because top executive team was blinded by Canadian frame of reference and pre-entry perceptions and assumptions.

Figure 19. Mapping the Strategic Decision Making Process at Mark's

For the most part, the decision making process at MWWH was ineffective for entering the U.S. market. The major problem areas analyzed in the decision making process are identified and described in Figure 19 as Blocks 1 through 7. These problem areas were termed blocks because they were viewed as the key points at which the company's decision makers had faulty thinking or made mistakes, which contributed to an ineffective decision making process. These areas were determined from the within case analysis of Mark's Work Wearhouse. As further cases are examined, it will become clearer how to avoid these blocks by analyzing the decision making processes of the companies that were successful in the U.S. market.

Many could argue that Mark's Work Wearhouse's failure in the U.S. market was associated with other factors independent of culture and independent of the company's strategic decision making process. For example, the company's performance in the U.S. could be dismissed because it was a small, young company which did not have the stability in Canada, in terms of a well-established structure and systems, to enter the U.S. market. In addition, MWWH entered the U.S. via greenfield site. Because of the difficulties associated with this mode of entry, such as difficulties MWWH had in establishing and building supplier relationships, many would argue that it would have been more successful had it entered the U.S. market via acquisition.

To investigate these questions, the next case chosen for analysis, Canadian Tire Corporation, was very different than Mark's Work Wearhouse in the above ways. First, it is a large, stable company with both a solid organizational structure and well-established systems. Second, it entered the U.S. market via acquisition as opposed to greenfield site. However, despite these factors, Canadian Tire Corporation, like MWWH, was unsuccessful in the U.S. market. Canadian Tire's experience in the U.S. market will now be examined.

CANADIAN TIRE CORPORATION

Canadian Tire Corporation (CTC) is a specialty retailer selling automotive equipment, lawn and garden tools, and leisure goods. The company was founded in 1922. The CTC concept has been very successful in Canada, with CTC stores representing one-stop shopping outlets for hardware. In 1987, it was ranked as the largest specialty retailer in Canada and had the highest profit of all retailers. Canadian Tire's 1987 sales were $2,500,000,000. It has 401 stores nation-wide. Corporate management and the family members of the founder hold the majority of the company's stock and its senior board positions.

Canadian Tire Corporation entered the U.S. market through an acquisition of a U.S. chain. The chain had 81 company-owned stores, which also supplied 420 dealer-run stores. It sold the operation in 1986. The following summarizes the background of the company and its experience in the U.S. market.

CTC was founded in 1922 by John W. Billes. His brother, Alfred J. Billes, joined in the ownership and management of the company soon after. The company began as a wholesaler of auto parts to retail stores throughout the country. In 1934, the company introduced its first dealer-operated retail store, a concept which has since been considered the cornerstone of CTC's success. Dealers were required to invest money in their stores, and to purchase products from the corporation, but they were allowed to run the stores as their own businesses, and to keep all profits generated from their individual store. In addition to being the principal supplier and distributor of merchandise to its network of associated dealers, CTC was also responsible for national advertising and merchandising, dealer recruitment, price setting, and a variety of administrative services.

The use of associated dealers provided the company with the capital and management to begin a major Canadian expansion program. The company grew rapidly with an increase in stores as follows: 71 by 1939; 108 by 1941; 116 by 1946; 156 by 1956; 225 by 1966; 303 by 1976; and 348 by 1981.

In 1944, the company issued 100,000 common shares to the public, but the Billes family members retained voting control. That same year, the company also diversified its product line beyond automotive parts and accessories, to include: sporting goods, lawn and garden equipment, tools, and many household products.

In 1956, John W. Billes died and Alfred J. Billes assumed the role of President. In 1958, the first service station was introduced. It was very successful and by 1966 the company had 26 gas stations. (In 1981, 84 gas stations contributed an estimated $189 million in sales.) In 1966, Alfred retired to the position of Director, and Dean Muncaster became President. Muncaster was the first non-family member to act in this role. The Billes family collectively controlled 60.8 percent of CTC's voting shares (but only 8.5 percent of all outstanding shares).

Dean Muncaster continued CTC's impressive growth pattern in Canada. Under his leadership, CTC built a reputation for being a company with incredible growth and success. Sales rose from $100 million in 1966 to $1.3 billion in 1981.

In 1977, Muncaster and his management team were considering options for CTC's continued growth and expansion. They decided that developing a similar type of business in the U.S. market was what they would do best. In 1981, CTC entered the U.S. market by acquiring White Stores Inc., the acquisition candidate identified with the greatest potential. Prior to the purchase of White's, it had been decided that CTC would transfer the CTC retail formula to the U.S., as it was what the company knew best. Once acquired, the management implemented a turnaround strategy for White's which focused on changing it to reflect the Canadian Tire concept. Part of this strategy involved an extensive program to convert company-owned stores into dealer operations.

Although the management realized that turning White Stores around was not a short term project, the initial performance results were very poor. However, the conversion process continued as well as attempts to develop more cost efficient purchasing and distribution systems.

Despite these efforts, White's lost $55 million in 1984. The management began to realize that the U.S. market was very different than the Canadian market. Thus, they decided to refocus White's strategy. But, in spite of the repositioning attempts, losses paralleled 1984's.

In the summer of 1985, both Dean Muncaster and his right hand man, John Kron (who was sent from CTC to run the U.S. operation), were fired. A new President was hired named Dean Groussman.

Groussman undertook an in-depth analysis of White Stores Inc., and concluded that no aspect of White's was profitable, or capable of becoming so. He recommended downsizing the U.S. operation significantly. However, one week after his recommendations, the company was approached by a U.S. company with an offer to purchase White's. The offer was eventually accepted.

THE STRATEGIC DECISION MAKING PROCESS

I. PRE-ENTRY

1. Decision to Enter

Dean Muncaster took over as President of Canadian Tire Corporation (CTC) in 1966. Until that time, the role had always been filled by a family member of the founder of the company, A.J. Billes. Under Dean Muncaster's leadership, CTC experienced phenomenal growth and success. He expanded CTC from a company with sales of $100 million in 1966, to one with sales of $1.3 billion in 1981.

In 1977, Dean Muncaster began developing a master plan for CTC, outlining the areas for its continued growth and expansion. Muncaster described this process as, "an exercise to determine where CTC should be going in the long term." Projections indicated that by 1985 the estimated maximum penetration of 400 stores within Canada would be reached (2). Therefore, it was felt that Canadian Tire would soon run out of room to expand in Canada. Dean Muncaster explained the thinking at the time, "Because the space in Canada was becoming limited, the premise was that we would have to do something different."

At this point Dean Muncaster and his top management team began considering the options available for continued growth and expansion. "Going into the U.S. was only one option among others that were considered. We explored a whole range of possibilities", stated Muncaster. Some of these included vertical integration, moving into real estate sales, and investing in the Canadian oil and gas sector.

The company's management decided not to pursue these options for various reasons. For example, the management felt that CTC already had excellent relations within its distribution channels, due to its size and dominant position in the Canadian retail industry. Therefore, they decided n[illegible] vertical integration. With respect to moving into real estate sales, it was decided that the risks involved in this business were too high, as interest rates were high and unstable. Investing in the Canadian oil and gas sector was also rejected. Although the Canadian government had created many incentives to do so, the team felt that they lacked the necessary expertise in this area. Mr. Muncaster described why they chose the option to enter the U.S. market:

> After having explored the possibility of becoming involved in other kinds of merchandising businesses in Canada, thinking about totally different things that we might have done, thinking about vertical integration, etc., the decision was taken to attempt to develop a similar type of business in the United States. We felt that going to the U.S. was what we would do best. We would have a significant transfer of ability in terms of what we had learned in the past.

2. Structure For Managing the U.S. Decision

Strategic decisions in Canadian Tire were made by the President of the company, Dean Muncaster, with the input of his top management team. Major decisions were then presented to the company's Board of Directors, for approval. Although the Board members were very close to the business, they left the control of the company in the hands of Dean Muncaster.

In developing the 1977 master plan, for the continued growth and expansion of CTC, this same decision making structure was used. Dean Muncaster indicated that, other than himself, John Kron, the Executive Vice President of CTC, was the most influential member of the top management team involved in the decision to move into the U.S. In addition to the top management team, Gary Philbrick, an outside consultant from Columbus, Ohio, was also included in the strategic decision making process (3). His role was to help the top management team to identify and examine alternatives. Furthermore, several of the company's operating line managers were brought into the decision making process, because it was felt that, "they would have to implement any options considered."

3. Pre-Entry Orientation of the Top Management Team

None of the top management team members, nor the members of the Board of Directors, knew anything about the U.S. retail market, prior to entry. None of them had any previous experience in that market from a business perspective.

Both Dean Muncaster and John Kron were asked about their thoughts and assumptions about the U.S. market at that time. Dean Muncaster commented, "Because we had done well in Canada, we assumed that we would also do well in the U.S.", and "There was a feeling that any differences encountered could be overcome by the strength of the Canadian Tire concept." John Kron stated, "Our appraisal of the market was that it was similar, but more competitive. But, we felt, given our competitive pricing and our automotive lead-in, we would be quite successful."

4. Preparation

The amount and type of preparation undertaken, to enter the U.S. market, was affected by the top management team's assumption that they could transfer the CTC concept directly to the U.S. The company's 1977 plan had called for entry into the U.S. during 1981. It was not until 1980 that management began reviewing alternative entry strategies. Two alternatives were considered: acquisitions and greenfield operations.

The company's management decided to enter the U.S. market, via acquisition. The rationale was the following: "We decided that, to do the same in the U.S. as we had in Canada, we should acquire a base, with suppliers, etc.", commented Muncaster. In addition, Muncaster stated, "There was some economic evaluation, but it didn't take much to realize that to achieve a certain amount of economic mass, we needed to acquire an existing firm." He also indicated that greenfield operations had a much longer time line to success than acquisitions.

Once the mode of entry was decided upon, the next step involved establishing criteria for potential candidates. The top management team was only interested in acquisitions which would allow them to reproduce the Canadian Tire concept in the U.S. market. Therefore, three criteria were established. First, the company acquired had to have at least 25 established stores. Second, the stores had to be similar in size to Canadian Tire Stores. Finally, each store had to have an automotive service section (as this was a vital part of the CTC concept). Dean Groussman, the current CEO and President of CTC, commented on what the company was looking for in the U.S.:

> ...we were looking for certain sized buildings, and a facility with an automotive section attached, so we could build a concept similar to Canadian Tire. We were looking for buildings that lent themselves to Canadian Tire Corporation's strategy.

The top management team considered six U.S. automotive parts and service companies. As the company's management attempted to determine which of the six companies were available for purchase, they were approached by Household International Limited. Household was interested in selling White Stores Inc., one of the six companies on the CTC's list of potential candidates. White Stores Inc. was based in Wichita Falls, Texas. Its stores averaged 25,000 square feet, including 15,500 square feet of retail space, and 6-8 automotive service bays. The store's product mix included the following: auto service products, lawn and garden equipment, sporting goods, hardware, furniture and major appliances.

White's retail locations were not in prime retail/commercial areas. Rather, they were in local neighbourhoods, some populated by non-english speaking Mexicans. In addition, unlike CTC's current operations, its stores were company owned and operated. However, the chain's average store size and product line were similar to typical Canadian Tire stores. Furthermore, Whites, like CTC, carried only a few brand names.

At this point, some of the Canadian Tire management, along with the CTC Board members, began visiting the White Stores Inc. premises, including the corporate head office, warehouses, and several store locations. John Kron stated, "We made 3 or 4 trips down to the U.S.. I personally went 3 times."

After the visits it was agreed that White Stores Inc. was the acquisition candidate with the greatest potential. Dean Groussman indicated that none of the six candidates were ideal, but White's was the best of the six. White's was large enough to possess a substantial infrastructure from which to expand; its stores were similar in size to those Canadian Tire would have built, and generally included six to eight automotive service bays; and White's stores were located primarily in Texas, a very desirable area of the United States (Annual Report, 1981).

5. Information Sought

Prior to entry, a limited amount of market research was undertaken which included long term demographic studies, and some competitive analysis. The results of the long term demographic studies were favorable. White Stores Inc. was located in the Sunbelt area of the U.S., which had been experiencing phenomenal growth for several years. In particular, Texas was the second largest state in terms of retail sales. Houston was eighth and Dallas ninth, in terms of size of metropolitan statistical areas. Dallas's population was expected to increase by 12.9 percent from 1980 to 1984; Houston's by 14.2 percent. The U.S. average population increase was only 5.2 percent. Furthermore, the mean income (1977 figures) was $19,443 in Dallas, and $18,340 in

Houston, compared to the U.S. average of $17,137. John Kron commented, "We saw the southwest as a booming land and thought it was where the growth was going to be."

The competitive analysis revealed that there were only six major direct competitors in Texas and the sunbelt markets. These were: Sears Roebuck, Montgomery Ward, K Mart, Builders Square, Home Depo and Handyman. The research indicated that no other company sold a product line similar to CTC's. This led the Canadian Tire management to assume that they would be filling a market niche in the U.S. as they had in Canada.

However, the analysis did indicate that Sears, Montgomery Ward and K Mart had significant clout in the U.S. market. For instance, Sears was heavily involved in auto parts and service, and its outlets often had 16 or more auto bays, as opposed to White's 5 or 6 (4). Despite this information, the top management team was convinced they would have no trouble in the U.S. market, based on their phenomenal success in Canada.

No other information was sought before entering the U.S. market. The top management team did not believe there were any differences between the American and Canadian retail markets that warranted further research. No research into cultural differences was undertaken.

The company spent approximately 3 months conducting market research before entering the U.S. market (after it had purchased White's).

6. Expectations and Goals

CTC management realized that turning around White Stores Inc. would not be a short term project. In December 1981, CTC management stated:

> White's has not been profitable in recent years and, in view of the financial costs attached to the acquisition and a planned refurbishing programme over at least a two year period, the acquisition is not expected to contribute significantly to CTC's profitability in the short term. However, White's is expected to become the base upon which a very substantial and profitable Canadian Tire-type business will be built over the longer term in the U.S.

Indeed, Dean Muncaster indicated that it was expected that White's would be unprofitable until its 3rd or 4th year of operation. However, by the beginning of 1985, it was expected that the company would expand by 50 stores. The expansion would create a U.S. operation that would match and eventually surpass the Canadian operation of CTC.

II. ENTRY

CTC entered the U.S. market in 1982, by acquiring White Stores Inc. from Household International Limited. The strategic decisions made were based on the company management's pre-entry orientation -- its assumption that the two markets were similar, and that the CTC concept could be directly transferred to the U.S. market. In fact, before an acquisition in the U.S. was made, CTC's management had decided to enter the U.S. market by transferring what it knew best -- the Canadian Tire retail formula. Therefore, once White's was acquired, the CTC management began to change White's strategy to reflect Canadian Tire's.

However, before implementing the turnaround strategy, the CTC management gathered information in the following ways: (1) they researched the value of the White name; (2) they performed some limited consumer research; and, (3) they met with the existing White dealers and management.

Immediately after CTC purchased White's (not prior to the purchase), focus group studies were conducted to gather information on how consumers perceived the image of White's. The results revealed that consumers who could remember had viewed White's rather fondly, but they frequently commented on its recent poor performance. These findings were interpreted positively by CTC management, who felt that they could revamp the White Stores and, in turn, the fond memories of the U.S. consumers. Therefore, they decided to retain the White name.

As alluded to above, very little consumer research was completed, and what was, turned out to be ambivalent. An attempt was made to determine how well the Canadian Tire product offering would be received in the U.S. market. However, this was very difficult to do because there were very few questions that could be asked. John Kron commented,

> If you asked if they would buy tires, they would say that yes they could buy tires...It is hard to get an objective view of what would happen 'if' through consumer research.

In addition to the above, published information was used to study historical buying patterns in the area. These studies indicated that Texas had similar buying patterns to rural areas in Western Canada, although the Texas market was more competitive.

Third, although the decision had been made to transfer the CTC formula to the U.S. operation, meetings were held with the White head office employees and management, and the dealer groups, to examine the product line, and to familiarize themselves with the company's personnel. The remaining personnel at White's fully supported the changes that were being considered, as it was clear that something had to be done to improve White's performance.

1. Strategic Decisions Made

The CTC top management entered the U.S. with two major orientations. The first was that there were no major differences between doing business in Canada and doing business in the United States. The second was that the CTC concept would be successful in the U.S. because it had been in Canada. This management pre-entry orientation led the top management team to use the same strategy for the U.S. operation as was used in Canada. The feeling was that CTC had perfected its concept, so why change it for the U.S. market. A statement by John Kron indicated the thinking at that time: "White's will not re-invent the wheel in Texas (4)". CTC management believed that the best way to improve White's sales performance and profit potential was to implement the CTC formula. A number of strategic decisions were made in accordance with this.

First, CTC management decided to refurbish and restock White's stores to closely resemble the Canadian Tire stores, "in terms of exterior and interior decor and merchandise mix." White's was to become the dominant Texas retailer for automotive products, hardware, lawn and garden equipment, and sports equipment. These product lines were chosen because they had been very successful in Canada.

Items inconsistent with the CTC formula were phased out, such as furniture and major appliances, and items that were consistent, such as hardware and automotive products, were phased in. The 1982 annual report stated, "The entire product presentation was plan-o-grammed and reflected to a large degree the "modular" merchandise concept employed by Canadian Tire." CTC management was confident that the Canadian Tire-type merchandising presentation would be successful in the U.S.

Second, to ensure that White's had people who understood the CTC concept, it was decided that management would be infused from Canada to run the U.S. operation. At the time of the purchase White Stores did not have a strong management base. Dean Muncaster commented, "When an operation is losing money, it loses its best people." Therefore, Canadian management and 22 Canadian dealers were sent to the U.S. to run some of the stores. In particular, it was decided that John Kron, the Executive V.P. of CTC, would be the President of the U.S. operation. Dean Muncaster stated, "He was the most broadly based of the people we had." "It was a mutual decision that I'd go to the U.S", said Kron. Kron spent 4-5 days a week in the U.S., however, he never lived there. His home continued to be in Canada.

The 22 Canadian Tire dealers who were sent to the U.S. were either people who wanted to go; or people who had been trained, but there was no place for them in Canada. In addition, some Americans were recruited, however, they were difficult to attract, given White's poor performance. These recruits did not receive the extensive training that took place in Canada, due to lack of time.

Furthermore, CTC management attempted to reproduce the CTC ways of doing business in the U.S. For example, the top management felt that one of the key reasons Canadian Tire was successful was because of its state-of-the-art computer systems. Therefore, new computer and software systems were transferred from Canada and installed in White's, to technically upgrade its information processing. In addition, stores that had been converted to the Canadian Tire formula were supplied with on-line, point-of-sale, cash register equipment, providing the company with a computerized inventory system.

2. Structure For Managing Strategic Decisions in the U.S.

White's was run as a separate company from the Canadian operation. Mr. Kron and his management team had full responsibility for the management of White's and its day-to-day activities. However, there was constant communication and integration with the Canadian operation. Dean Muncaster was involved in all strategic and capital acquisition decisions. Muncaster indicated that he attempted to ensure that those closest to the U.S. market were making the decisions. Therefore, he attempted, for the most part, to maintain a distant role. Control was achieved via regular contact between Muncaster, Kron, and the other U.S.

executives, and by having all major strategic moves and capital requests approved by the Canadian Board of Directors.

3. Initial Performance

The conversion of White Stores into Canadian Tire-like stores required that the stores be closed for up to 6 weeks. This process was very expensive (estimated at $165 million) and severely hindered profit figures. During 1982 and 1983, White's was not making any money. In 1982, its net loss was $9.8 million, and in 1983, it was $29.2 million.

4. Entry Orientation of the Top Management Team

Although the company was expected to lose money in the first few years, its losses were much greater than had originally been forecasted. Why? In general, the CTC top management team found things to be much different than expected once they entered the U.S. market. There were great differences in the business attitudes and practices between Canadian and U.S. retailers. For example, the executives interviewed made the following observations:

Dean Muncaster commented, "Once we got down there, we realized there were great differences -- differences in people's basic approach to doing things." In particular, Muncaster found the attitudes and behaviors of the American consumers to be much different than expected. "They were much harder to move away from their established patterns than we thought", stated Muncaster. John Kron agreed, "U.S. consumers are very demanding. They are extremely sophisticated purchasers, cherry picking auto parts and hardware stores for specials."

The executives frequently commented that the U.S. retail market was far more competitive than the Canadian retail market. Dean Muncaster stated,

> We have found the U.S. hardware market difficult to enter. We underestimated the impact of non-direct competition, because it was not relevant in Canada. Department stores such as Wal-Mart had a bigger lock on things that we did not anticipate, because it's not like that in Canada.

Department stores like Wal-Mart were not considered in the company's competitive analysis. The reason they were not was because, in Canada, department stores did not carry the same product line as a specialty store, such as Canadian Tire. However, in the U.S., department stores frequently carried all of the same items White's sold, and usually a broader assortment. Therefore, customers were used to shopping at these superstores. John Kron indicated, "We underestimated customer loyalty (to other stores), and the difficulty of changing their shopping habits. There is no doubt that the retail competition there (in the U.S.) is extremely good."

When Dean Muncaster reflected on the competitive analysis that was done, he indicated that, when it revealed that no other specialty store sold the same product line as CTC, they did not think to ask why the void was there. When they entered the U.S. market, the company management found out. Although no one store specialized in the exact product line as CTC did, several others sold the products they did. Also, the superstores sold their entire product line plus many other items.

The CTC executives provided several examples which indicated how the difference in the level of competitiveness between U.S. and Canadian retailers affected the way business had to be conducted. One example was the following. The top management team attempted to overcome White's image of being run-down and unappealing, by drawing people in to see the new stores. In order to do this, a decision was made to promote 50-60 percent of White's merchandise. In addition, specialty loss leaders were developed and promoted through flyer advertising. Once traffic increased, CTC management had planned on significantly reducing the percentage of promotional items. However, they discovered that the U.S. market was so competitive that retailers were forced to retain a much higher percentage of promotional items at all times than was true in Canada. Therefore, just to remain on par with its competition, White's stores had to maintain 50-60 percent of its merchandise as promotional items.

Second, White's market research indicated that the typical U.S. weekend newspaper included as many as 17 flyers. This made it much more difficult to capture customer attention in the U.S. market compared to the Canadian retail market. Therefore, the company found that it had to change the type of advertising campaign used in the U.S. market away from flyer advertising to electronic media.

Third, the intense competitiveness in the U.S. retail market meant that good store locations were much more important in the U.S. than they were in Canada. Muncaster commented, "In Canada, we could have less than prime A locations and still draw traffic to our stores. In the U.S., due to the increased competition, this was not possible -- you need prime locations." Looking back on the acquisition of White's, Dean Muncaster commented, "Although the White Stores were run down operations with poor locations, we thought we had the ability to ressurect them."

Fourth, 3 of the 4 top executives interviewed found that the high level of competition in the U.S. market caused U.S. retailers to think and behave much more aggressively than Canadian retailers. Allan Goddard, V.P. Public Affairs stated,

> The necessity in the U.S. breeds aggressiveness. We are a product of our markets, and the nature of the two markets is very different. In Canada, national retailers control the bulk of the market, therefore, they don't have to be as aggressive (5). In the U.S., it's very different...the level of competition is different...so the nature of the way people do business is different. In Canada, our society breeds lower levels of aggression and risk taking. The U.S. is a lot more individual and user-pay oriented. This breeds a lot more entrepreneurial activity down in the U.S., and a lot more risk taking. Canada is a saving society -- there is less risk taking.

In addition John Kron commented on the U.S. market,

> It's a different culture and a different lifestyle. They're more aggressive and competitive. Whatever you claim to be doing, you better, because you don't get two chances with the consumer. They'll quickly go elsewhere.

Finally, Dean Muncaster noted that, whether Americans were actually more aggressive or not, they seemed more aggressive, because there are so many people and niches in the market.

Other cultural differences between Canadian and American retailers, affecting doing business in the United States, were the following. Americans were described as being extraordinarily hardworking, extremely organized, and very effective people. They were also noted for providing excellent service to customers, service which was far superior to what was felt to exist in Canada.

5. Subsequent Strategic Decisions

By 1984, the conversion process was nearing completion and the associated expenses had been largely written off. During the year, White's continued to convert company-owned stores into dealer operations. The U.S. management attempted to improve performance by developing a more cost-efficient purchasing and distribution system. They also assessed the strength of the stores within the White's chain, and closed several unprofitable outlets. No new stores were opened during this period.

However, in spite of these efforts, White's lost $55 million in 1984. Part of this figure included the $14 million expense of closing a major warehouse and several of the retail stores.

CTC's major losses created an avalanche of press coverage. Although both Dean Muncaster and John Kron were committed to turning the U.S. operation around, they were both feeling intense pressure from within the organization to improve White's performance. Dean Muncaster explained that in November of 1983, "the game changed". He pointed out that, until then, he had clearly been running the company. The Billes family members, who sat on the Board of Directors were made well aware of the major decisions made at CTC, including the strategic decisions relating to the U.S. venture. In fact, there had been unanimous agreement among the Board members about each decision relating to the acquisition and operation of White's. However, as performance of White's deteriorated, the Board members began to interfere in the decision making process. This created an incredible strain in the relations between Dean Muncaster, John Kron, and the members of the Board of Directors. Kron commented, "There was a shift in corporate support at that time. We thought we had their commitment, but we didn't."

By 1985, both Dean Muncaster and John Kron realized that they did not have the knowledge about the U.S. market necessary to improve White's performance. Therefore, they decided that White's needed a strong, experienced marketing manager. The two manager's currently in charge of marketing did not have the requisite skills or experience to handle this difficult job. At this point, John Crowley, the V.P. of Marketing in Canada, was sent to the U.S. as the Executive V.P. of Merchandising. Crowley was an American by birth and had 36 years of retail experience.

The second major realization was that the Canadian Tire formula was not working in the U.S. market. It had been obvious for some time that automotive products and service was the only area within White's that was generating a profit. John Kron commented, "It became eminently clear that that was the way we had to go." In addition, research revealed that no competitor dominated this product area. Therefore, the strategic decision was made to reposition White's away from a one-stop shopping place, like CTC, to a store focused on auto parts and service.

However, this required a new merchandising and marketing campaign. John Crowley noted, "We had to go 180 degrees in the reverse of what we were able to do in Canada, away from a broader presentation of lines to a projection of great expertise in the automotive service area." After the change in strategy, auto parts represented at least 50 percent of the product mix at each store.

Moreover, since the use of flyer advertising was not working in the U.S. (because of the number of competitors also using this medium) the top management team decided to use electronic media advertising. A television campaign was designed which highlighted White's new focus on auto parts and service.

Finally, because of the nature of U.S. competition, White's dropped its hardware and housewares product lines and de-emphasized its do-it-yourself home improvement products. The latter decision was made in response to an announcement by K-Mart Corporation, one of the largest retailers in the U.S. market, about its intention to expand its chain of do-it-yourself stores in Texas.

6. Performance in 1985

During the first quarter of 1985, the changes made appeared to be showing positive results. Sales were up 10 percent over the previous year. However, by May, the company's financial results showed losses paralleling 1984's.

During this period, the company's Board of Directors became even more concerned with White's poor performance. In May of 1985, the co-founder of CTC, 85 year old A.J. Billes, rejoined the Board of Directors on a full-time basis. Dean Muncaster and John Kron indicated that by this point relations between themselves and the Billes family were extremely strained. In fact, Dean Muncaster stated that at that point, he felt that, "It was just a matter of time before it would be time for both of us to leave (the company)."

7. New Decision Making Structure

During this period, decisions began to be made by the CTC Board of Directors. In June, the members of the Board formed an executive committee, which hired Arthur Anderson and

Company to perform an extensive analysis of White's, costing approximately $1 million. This committee was formed without the knowledge of Dean Muncaster or John Kron. On June 15, 1985, just before the company's annual meeting, Mr. Muncaster was asked to leave CTC. In August, John Kron was let go as the President of White's. At this time, White's was showing a loss of $78.3 million, including a $50 million dollar write down.

When the two top management team members were let go, the Board of Directors sent Alfred (Fred) Billes to manage the U.S. operation, until a new president was found. He, along with the White's management team, began implementing the changes suggested by Arthur Anderson. Arthur Anderson had completed its study in August, and recommended that the U.S. operation be downsized, by closing unprofitable stores, relocating several stores into larger suburban areas, and changing White's management structure.

It had become clear to everyone involved by 1985, that the new President for the U.S. market should be an American who understood the American retail market.

In October of 1985, Dean Groussman, an American with a strong retailing background, was hired and Alfred Billes returned to Canada. By this time, White's was losing approximately $2 million per week, and this figure had been increasing rapidly. At the time of the Arthur Anderson report, losses were estimated at $1 million per week. Dean Groussman discussed his role in the decision making process at that time, "I was hired with the simple charge of finding out what could be done, and implementing it as soon as possible, to stop the hemorrhaging of losses." He added that his role was not necessarily to turn White's around, but to stop the losses.

The first thing Groussman did was spend two weeks conducting an in-depth analysis of White's. Although the Arthur Anderson report provided a base, Groussman felt that the situation had worsened, making further analysis necessary. In addition, White's management had already implemented a number of Arthur Anderson's recommendations which had failed to improve the situation.

Groussman's analysis was based on his own retail experience, his knowledge of the Texas economy, and his knowledge of the White chain, acquired over the previous ten years. His analysis included financial and cash flow projections, and net present value calculations.

Once Groussman's analysis was complete, he found himself disagreeing with the Arthur Anderson report. He concluded that no aspect of the White Stores was profitable, or was capable of becoming so (6). However, Groussman did agree with Mr. Crowley's and Mr. Kron's decision to change the company's emphasis to an automotive focus. He stated, "That was the best move, but the stores were just too big to convert into exclusive auto specialty stores." Therefore, in order to focus even further on automotive products, Groussman developed a downsizing strategy that was much more extensive than what Arthur Anderson had suggested. Once this had taken place, he planned on opening new, smaller stores, in prime locations, which specialized in automotive products. This proposal was presented to the Board of Directors. Groussman received the Board's approval to implement the plan.

However, one week later, Western Auto Supply Company of Morristown, N.J., made an offer to CTC to acquire White Stores Inc. Groussman recommended that the Board not sell at the price being offered. One week later, Western Auto raised its price, indicating an intent to negotiate. CTC entertained the negotiations at Groussman's recommendation. A price was eventually agreed upon making it to CTC's advantage to sell White Stores. The decision was made to sell to Western Auto, and to exit from the U.S. market. Because CTC was still without a President, Mr. Groussman was asked to join the Canadian organization.

III. POST-ENTRY

In December of 1985, after four years of operation in the U.S. market, CTC announced its decision to sell White's Stores Inc. The executives interviewed reflected on the U.S. venture and discussed the reasons for White's poor performance in the U.S. market. Some of their comments are outlined below.

1. Post-Entry Orientation of the Top Management Team

It was agreed that one of the major reasons for CTC's failure with White's was that they attempted to transfer the CTC formula to the White's Stores, when it was inappropriate for the U.S. market. Dean Groussman commented on this:

> There was no 'fit'. The U.S. customer had never seen a collection of items like CTC had in the White's stores. Competitors carried different assortments in the U.S., which the U.S. customer was used to. It was very hard to change their habits.
>
> CTC is, in Canada, five specialty stores under one roof. This is not the right assortment for the U.S. In the U.S., there was a retailer who did a better job of doing everything White's did. You can call them superstores in the U.S.. Customers had a better opportunity to get a better assortment elsewhere, ...at better locations, with the same low prices. Therefore, there was nothing compelling about White's...if you don't give the customer 'the best' something, you will run into trouble in the U.S.
>
> White's stores had .0-12,000 square feet in retail selling area. This was only marginally smaller than an average Canadian Tire store. But, White's average competitors (the superstores) were much larger and carrying a much broader product line than White's.

John Kron also commented on the problems with trying to transfer the CTC formula to the U.S.:

> In Canada, Canadian Tire is unique because it's a man's toy store. You can find all the new items there first. In the U.S. we couldn't do this. We didn't have the number of items or the buying expertise that we have in Canada.
>
> You cannot go into the U.S. market in a small way, like you can in Canada. You need a clear, crisp marketing focus in the U.S. to differentiate yourself.

The executives also commented that although the intent was to transfer the CTC concept to the U.S. market, they did not even manage to do that well. John Kron stated,

> We tried to be too many things to too many people. We kind of blasted the U.S. market. In Canada, we use a wave approach. We saturate one market, and then we move on.
>
> Our biggest strategic error was not perfecting operations first, before beginning to heavily use promotional practices. We should have gotten good clerks and departmental help first (as was the practice in Canada). There was a degree of inexperience among the staff which made it difficult to sell. We tried to get too much out of too few people (7).

Another major reason for White's poor performance was that it was not staffed with people who understood the U.S. market. Dean Groussman stated,

> We didn't have the right people. We bought a business that was losing money. Whites had some good employees, but it did not have good decision making people -- otherwise it wouldn't have been losing money. And, the management infused from Canada did not have an understanding of U.S. retailing, or the U.S. market. The people sent down from Canada were very good. But, they were sent down to reproduce the Canadian concept.

John Kron agreed, "We had two young people running things, and we needed someone with seasoned U.S. retail know-how."

Dean Muncaster and John Kron also cited the serious problems within CTC at the time as a factor contributing to White's poor performance. Although the Board appeared to be fully committed to the U.S. venture, there was a shift in corporate support when it became obvious that White's was not making any money. At this point, their commitment waned, and they began to interfere with Dean Muncaster's and John Kron's decisions.

> When the family bickering started, we were fighting home, instead of the competition. There was a diffusing of responsibility (for the U.S. venture). Our support bases were removed, and funding became a real problem. We thought we had their commitment, but we didn't.
>
> The Board did not have full support for the program. They weren't committed to see through what they had planned. We needed a longer time line. We couldn't get support to build new stores.

Both Muncaster and Kron commented that the lack of commitment on the part of the Board of Directors quickly became known in the U.S. operation. This led to

> a real morale problem among the dealers and the employees. They felt there wasn't any corporate commitment. We spent 90 percent of our time fire fighting, trying to sell to our own people about who we were and what we were trying to do.

Kron also admitted that he really did not want to be down in the U.S. because his family and home were in Canada.

In addition, the top executives cited their inadequate research as a reason why White's failed. John Kron commented that CTC's forecasts had not considered things such as an economic slowdown, depressed oil prices and a drought in Western Texas. These events affected the sales growth in several areas in which White's operated. Dean Muncaster agreed, "...we clearly positioned ourselves in the wrong place, in terms of what was going to happen in Texas...due to the oil shock." He also pointed out that, because the Sunbelt states had been identified for the past decade as the place where growth would occur, everyone was there. This made it even more difficult to compete with an operation that had become run down.

2. Lessons from the U.S. Experience

Although the lessons learned by the top management team at Canadian Tire can be inferred from their comments on why they felt CTC failed in the U.S. market, the following is a summary of what the management said they would do differently:

> 1. CTC management would have conducted more, and a different type of research before entering the U.S. market. This would include more consumer research to find out where the holes/ opportunies were in the U.S. market, as well as research asking different and more thorough questions, to test the public's reaction to a hybrid type of store like Canadian Tire. They would not have entered the U.S. assuming that the CTC concept would work.

2. Look for a successful company with a good management base. Go big or go home. You must be willing to pay the necessary price to buy a profitable company. CTC management found it very difficult to change White's poor image and to turn its performance around. "It's much easier to purchase a successful company."

3. Hire a first rate American retailer, who really understands the U.S. market, to work along with a top-rate Canadian. Recognize the need for American management with hands-on know-how. Dean Muncaster stated that if he had it to do over again, he would still send John Kron, because he felt that it was important to have someone overseeing the U.S. operation who he knew and trusted.

4. Go into the U.S. market with a more specialized product line and smaller stores.

5. Make sure there is long term commitment from within the Canadian company. "If you're going to go down there, you have to go down there for keeps -- 100 percent. The Board must have full support for the program. Also, you need to recognize that it will take a lot of time and money to make a name for yourself. Be sure to clearly lay out, in the initial proposal, the long term commitment, and time line required to succeed in the U.S.

3. The Future

When Dean Groussman, the current President and CEO of Canadian Tire Corporation, was asked about future plans for the company, he commented, "We are looking for acquisitions on either side of the border -- good candidates in North America." With respect to the U.S. market, CTC management made it clear that they did not consider the U.S. market undoable. However, they did not think that the Canadian Tire concept could be transferred to the U.S. market and do well.

In addition, Groussman indicated that he would consider acquiring a U.S. company only if 3 criteria were met:

1. The company would have to be successful at the time it was purchased.
2. It would have to be in a growth industry.
3. It would have to have strong management in place.

Figure 20 summarizes Canadian Tire's strategic decision making process.

FIGURE 20 - SUMMARY OF CANADIAN TIRE CORPORATIONS' STRATEGIC DECISION MAKING PROCESS

I. PRE-ENTRY

1. DECISION TO ENTER THE U.S. MARKET

U.S. was one option considered for expansion.
Decision was not planned or thought through.
Viewed as the option management new best.
Decision makers not fully committed to making U.S. operation successful.

2. PRE-ENTRY ORIENTATION OF THE TOP MANAGEMENT TEAM

a) Experience in/Knowledge of the U.S. Market

Top management team had no previous experience in, or knowledge of, U.S. market.

b) Perception and Assumptions about U.S. Market

Top management team perceived the U.S. market to be very similar to the Canadian.
Top management team assumed that organizations in each of the two cou..tries could be managed in the same way.

3. PRE-ENTRY STRATEGIC DECISIONS MADE

a) Preparation

(i) Mode of Entry

Top management team decided to acquire a company, to allow them to do the same in the U.S. as had been done in Canada.

(ii) Preparation Time

Began searching for acquisition candidate one year prior to year of planned entry. Criteria for acquisition were the same as in Canada. Spent three months researching market, prior to entry.

b) Information Sought

Limited amount of market research undertaken, prior to entry. Included demographic studies and some competitive analysis. Information found was interpreted with a Canadian frame of reference, and was not incorporated into strategic decision making process re: U.S. venture.

c) Expectations/Goals For the U.S. Market

Expected U.S. operation to expand in 1985, but no specific goals were set.

II. ENTRY

1. STRATEGIC DECISIONS MADE FOR ENTRY

Strategy for U.S. operation developed by Canadian top management team. Attempted to reproduce Canadian Tire retail formula in the U.S. Were never able to reproduce Canadian key success factors.

2. STRUCTURE FOR MANAGING U.S. DECISIONS

Canadian President of U.S. operation made decisions with the input of Canadian operation. All decisions required approval from Canadian B of D's.

3. EFFECTIVENESS (PERFORMANCE) OF INITIAL DECISIONS MADE

U.S. operation had much greater losses than expected.

4. ENTRY ORIENTATION OF TOP MANAGEMENT TEAM

Canadian top management team felt shocked by, and unprepared for the U.S. market.

5. SUBSEQUENT STRATEGIC DECISIONS MADE

Same as MWWH. It was not until U.S. operation lost $55 million, and there was a great deal of internal pressure from the Canadian Board of Directors, that the top management team began to change its initial assumptions, and reposition White's to fit with the U.S. market.

III. POST-ENTRY

Could not survive U.S. market; withdrew.

Figure 20. Summary of Canadian Tire's Strategic Decision Making Process

IV. ANALYSIS

PRE-ENTRY

The problems CTC experienced in the U.S. market occurred as a result of its management's misperception of that market. From the outset, the top management team decided to enter the U.S., based on an assumption that the U.S. and Canadian markets were the same. Although other growth options were considered, the management felt that they U.S. was the same as Canada, therefore, it was what they knew best. However, none of the members of the top management team **actually** knew anything about the U.S. market. Therefore, their decision was based on an assumption of similarity between the U.S. and Canada.

This perception of similarity also led the top management team to assume they could transfer the Canadian Tire concept, as is, to the U.S. market. This was evidenced by Dean Muncaster that, "We would have a significant transfer of ability in terms of what we had learned in the past".

The top management team also assumed that they would be successful in the U.S. market. This was made clear in the following two statements by Dean Muncaster: "Because we had done well in Canada, we assumed that we would also do well in the U.S.", and, "There was a feeling that any differences encountered could be overcome by the strength of the Canadian Tire concept". In Canada, the concept was strong enough to overcome regional differences. Therefore, it would also assumed to be strong enough to overcome any U.S. differences.

The pre-entry orientation of the CTC top management team (assumption of similarity), greatly determined the strategic decisions made regarding the U.S. venture. For example, the top management team decided to transfer the CTC formula to the U.S. market, without any changes. This made other strategic decisions regarding the U.S. venture simplified. For instance, the criteria for potential acquisitions were easily established -- they were the same criteria used in Canada. The intent was to to allow CTC to replicate its concept in the U.S. No other options were considered. Dean Groussman's comment that, "We were looking for buildings that lent themselves to CTC's strategy", confirms this point.

In addition, the decision to acquire was also affected by their assumption of similarity. Despite the fact that White Stores Inc. had run-down operations with poor locations, the CTC management assumed that they could resurrect it because, as Muncaster indicated, in Canada, they could always turn a poor location into a money maker. Unfortunately, in this case, the assumption that the U.S. would be similar backfired. CTC management came to realize that in the U.S. market, due to the nature of competition, locations were much more important. Furthermore, they learned how difficult it was to compete in that market, let alone fight an uphill battle with a run-down operation. This points out how a misperception of the U.S. market can be very damaging. Assuming the two markets were similar led to strategic decisions that did not fit with the U.S. market.

The management's pre-entry orientation also resulted in the assumption that very little needed to be done in preparation for entry into the U.S., other than searching for an acquistion. Indeed, the length of time spent researching the U.S. market was approximately 3 months (9). Before making the acquisition, long term demographic studies, and a competitive analysis of Texas were done. The competitive analysis was undertaken from a Canadian frame of reference. That is, it focused on analyzing the types of competitors a firm would face in Canada. This excluded the major department stores (superstores), which turned out to be one of the major sources of competition for White's products in the U.S. market.

The competitive analysis did indicate two things: first, that U.S. retailers were much more specialized than Canadian retailers; and, second, that no one else sold an assortment of items like Canadian Tire. CTC management discounted the first finding, and interpreted the latter finding as evidence of a market niche. Therefore, CTC management made the assumption that they would do well in the U.S. with their product assortment. They did not think to ask why the niche existed. In fact, once in the U.S. market, the top management team learned that there was no place for the generalist. They also learned that most U.S. retailers had to be specialists, to compete in the marketplace. Therefore, had the CTC management understood the U.S. market, they would have known why the niche existed.

Interestingly, **after** White Stores Inc. was acquired, some additional research was conducted, including research into the image of the White name; consumer analysis; and discussions with White's management. However, none of this improved the top management team's understanding of the U.S. market.

ENTRY

Upon entry into the U.S. market, all of the strategic decisions made incorporated the assumption that the U.S. and Canadian retail markets were similar, and that the CTC retail formula would be transferred to the U.S. market. All of the other entry decisions made were subsets of this one.

For example, CTC management decided to send Canadian management to run the U.S. operation, so they could reproduce the Canadian concept. In addition, it was decided that the White's merchandise would be changed, to closely resemble CTC's. Product lines were chosen for the U.S. stores, simply because they had been successful in Canada. Canadian computer and software systems were transferred to the U.S. because they were considered to be a key success factor in the Canadian operation and, therefore, they would work equally well in the U.S. In general, the Canadian concept, strategy, and business practices were directly transferred to the U.S.

However, once the company began to actually operate in the U.S. market, its management discovered that things were very different than they had expected. They found great differences between U.S. and Canadian retailers and their retail practices, which forced them to change their perceptions dramatically. This shock occurred as a result of inaccurate perceptions and assumptions about the U.S. market.

Unfortunately, the CTC management had incorporated their assumption of similarity, between the two retail markets, into their strategic decisions guiding the U.S. venture. These decisions were based on an erroneous assumption and were, therefore, inappropriate for the U.S. market. As performance deteriorated, CTC management began to realize that a problem existed. However, they were still caught up in their initial assumption that the Canadian concept could work in the U.S. Therefore, the company began pouring more money into advertising and promotional items. Over time, as losses mounted, the management was forced, due to financial constraints, to question its initial assumption. It took several years for this to occur.

At this point, they realized that the U.S. retail market was different than the Canadian retail market, and that their strategy was not designed to operate in a different market -- it did not fit with the U.S. market. The company's management also recognized the need to adapt to the U.S. market.

When this occurred, subsequent decisions were made, incorporating this new realization. It became clear that their lack of knowledge about the U.S. market was a serious detriment. A decision was made to hire a retailer who understood how to operate within the U.S. market. They also learned that they needed to develop a new concept for the U.S. In particular, the U.S. operation needed a more specialized product line to be able to compete. Therefore, the management decided to reposition White's away from a place for one-stop shopping (this was the Canadian concept), to a store focusing on auto parts and service (a specialized concept that was more appropriate for the U.S. market). However, by the time this learning had taken place, performance had deteriorated even further. The management also found themselves stuck with very large stores and an inventory (that had been geared to reproducing the Canadian strategy), which were next to impossible to get rid of. As the management began the transition process, losses continued to mount. When an offer was made to purchase White Stores Inc., CTC management accepted.

In conclusion, because CTC's management did not recognize that the two countries were so different, they were totally unprepared for the U.S. market. Since Canadian management were sent to run the U.S. operation, they did not have any appropriate way to learn about it. In addition, once in the U.S. market, they did not have time to spend learning. Their time was spent in a defensive mode, concentrating on surviving, instead of in an offensive mode, concentrating on competing. Unfortunately, by the time they realized the need to adjust, it was too late. They decided it was best to exit from the U.S. market.

Mapping The Strategic Decision Making Process

Figure 21 illustrates the strategic decision making process in CTC diagramatically.

In comparison to the Mark's Work Wearhouse case, it is clear that a common theme underlies both company's experiences in the U.S. market. Indeed, steps 1 through 9 of the strategic decision making process in each company are virtually the same. In addition, the top management team at CTC had several of the same blocks in its member's thinking as did the top management team at MWWH. However, there is one important difference. That is, whereas the top management team at Mark's Work Wearhouse never really questioned its initial assumptions about the U.S. market while operating in that market, the top management team at Canadian Tire Corporation did. CTC's top management team began to learn, while operating in the U.S. market,

FIGURE 21 - MAPPING THE STRATEGIC DECISION MAKING PROCESS AT CANADIAN TIRE CORPORATION

CODE: BLOCK = critical point in the decision making process contributing to its ineffectiveness.

INSIGHT = critical point in the decision making process contributing to its effectiveness.

CTC = Canadian Tire Corporation

1. DESIRE TO EXPAND CANADIAN OPERATION

Focus of expansion on Canadian concept, not on U.S. market.	BLOCK #1 (See below)

2. PRE-ENTRY PERCEPTIONS AND ASSUMPTIONS

Top executive team perceived Canada and the U.S. to be the same. Top executive team assumed organizations in each of the two countries could be managed in the same way. Top executive team assumed the CTC concept would do well in the U.S.	BLOCK #2 (See below)

3. DECISION TO ENTER U.S. MARKET

Decision to enter U.S. was one of several possibilities considered. Top management team became interested because thought U.S. would be easy market to expand into. Top executive team perceived the CTC concept to be invincible - wanted to expand it.	BLOCK #3 (See below)

4.	GATHERED INFORMATION	
	Top management team gathered information and interpreted it.	BLOCK #4 (See below)
5.	PRE-ENTRY DECISIONS	
	Top executive team made decisions with respect to U.S. operation as they would in Canada. Decisions incorporated #3.	BLOCK #5 (See below)
6.	PERFORMANCE IN U.S. MARKET	
	Decisions were ineffective for U.S. market. Decisions did not 'fit' with U.S. market.	
7.	RECOGNITION OF NEED TO MAKE A CHANGE	
	Poor performance meant change was necessary.	
8.	REVISED DECISIONS FOR U.S. OPERATION	
	New decisions but based on same pre-entry perceptions and assumptions.	BLOCK #6 (See below)
9.	PERFORMANCE IN U.S. MARKET	
	Performance continued to be poor.	

10. RECOGNITION OF NEED TO MAKE A CHANGE

Top executive team recognized that the two markets were very different and began to learn how to compete in U.S. market. — INSIGHT #1 (See below)

11. INCORPORATED LEARNING INTO REVISED STRATEGIC DECISIONS

Realized CTC retail formula did not work in U.S. market and developed a more specialized concept for it.

12. MOUNTING LOSSES FORCED CTC TO WITHDRAW FROM U.S. MARKET

Learning took place too late and certain initial decisions that had been made, such as building sizes could not be changed quickly enough. Board of Directors withdrew support for U.S. venture.

BLOCK #1: The top executive team believed in invincibility of the Canadian Tire concept. The company had been doing exceptionally well in Canada and the top executive team became arrogant, assuming that the concept would do well anywhere. The top executive team assumed that the concept could be easily be transferred to the U.S. market. Thus, it was not the U.S. market that was of interest. It was the fact that it represented an additional market for the Canadian retail concept.

BLOCK #2: Blocked by misperception that U.S. was the same as Canada and faulty assumptions that organizations in each of the two countries could be managed in the same way. Falsely assumed could transfer Canadian retail concept and ways of doing business directly to the U.S. market.

BLOCK #3: Canadian top executive team was considering several possibilities for expansion. The U.S. was chosen because it was deemed to be the easiest since the top executive team felt it understood the U.S. It entered that market because it thought it would be the same as expanding in Canada. The top executive team assumed that the CTC retail concept could easily be transferred to the U.S.

BLOCK #4: Information about the U.S. market was gathered using a Canadian frame of reference. The criteria used for setting up operations in the U.S. were the same as had been used in Canada. Moreover, any additional information gathered that was unique to operating in the U.S. market was discounted because it was interpreted from a Canadian frame of reference, making it appear unimportant.

BLOCK #5: Incorporated misconceptions and faulty assumptions into strategic decisions related to the U.S. venture. Made decisions for U.S. operation as they would in Canadian.

BLOCK #6: Incorrectly revised decisions without questioning initial perceptions or assumptions about the U.S. market. Blinded by Canadian frame of reference. This led to further ineffective decisions.

INSIGHT #1: Financial constraints and pressure from the Canadian Board of Directors caused the top executive team to search for the reason CTC was not doing well in the U.S. Top executive team realized that two markets were different and that organizations in each needed to be managed differently. This caused them to begin to learn how to adjust to the U.S. market.

Figure 21. Mapping the Strategic Decision Making Process at Canadian Tire

that it needed to adjust in order to be successful. And this adjustment meant taking into account the basic differences between the American and Canadian consumers, as well as the different structures of the two retail markets.

Moreover, although the top decision makers at both Work Wearhouse and Canadian Tire Corporation mentioned that there were vast cultural differences between Canadians and Americans, this realization never caused the Work Wearhouse executives to question their initial assumption that the Canadian concept could work in that market. Alternatively, this realization eventually led the top decision makers at Canadian Tire to conclude that the Canadian Tire concept or retail formula was inappropriate for the U.S. market. However, despite CTC's attempts to adjust, it was too late. The U.S. venture had lost the support of the company's Board of Directors and it had become financially impossible to continue in the U.S. market.

Therefore, a realization of cultural and other differences between Canadians and Americans, as well as an attempt to adjust the strategic decisions made occurred in the CTC case, but not in MWWH. The real learning for MWWH executives took place after they had withdrawn from the U.S. market, and after they managed to straighten out their problems in Canada.

From the Canadian Tire Corporation case, it may appear that a company entering the U.S. market should not do so via acquisition. However, the next case, Peoples Jewellers, provides evidence to the contrary. Peoples Jewellers acquired U.S. based Zale Corporation and continues to operate successfully in the U.S. market. The analysis of the Peoples Jewellers case will point out that it is not entering the U.S. via acquisition that is problematic, but entering the U.S. by acquiring a company that is not already doing well in the U.S. market. The Peoples Jewellers case also provides several additional insights to the analysis that has been completed so far.

Footnotes

(1) A company was considered to have been unsuccessful in the U.S. market if its management had been unable to operate profitably in that market, and was forced to withdraw from it for this reason. A company was considered to have been successful in the U.S. market if its management was able to operate profitably in that market. See Chapter 4 for a more complete description of how performance was measured.

(2) When the CTC management were interviewed they had changed this estimate of saturation and pointed out that they were still experiencing a significant amount of growth within Canada.

(3) Gary Philbrick was a consultant specializing in information services. He had been hired by Canadian Tire once before, to help develop the company's computer and information systems. The company management was very pleased with his work. "He was familiar with the retail business and with Canadian Tire", stated Dean Muncaster.

(4) This information was obtained from a case written by Mark C. Beatz and Ralph Troschke, published in **Strategic Management: Canadian Cases**, 1987.

(5) All of the executives in the study stated that the Canadian retail market was dominated by a few large national retailers. Because of the size of the Canadian market, these national retailers did not usually face much competition. On the other hand, the U.S. retail market was not dominated by large, national retailers. As a result, there were a much larger number of competitors, who had to act very aggressively to gain a piece of the market. This often led to each one specializing in a more narrow product line.

(6) At the time Groussman took over the role of President of White Stores Inc., it had three types of operations: dealer operated stores; company-owned White's stores; and, small, independent dealers associated with White's. None of the three operations were profitable.

(7) In Canada, Canadian Tire was noted for having a very extensive training program. When CTC entered the U.S. market, they had planned to train Americans as they did in Canada, but they found they did not have time. They needed people to run the stores right away, so the U.S. operation was short-changed in this respect.

(8) This 2-3 month period included the amount of time spent researching the U.S. market, prior to entry. It did not include the time spent searching for an acquisition candidate. This began approximately one year before the company was scheduled to enter the U.S. market, as per the 1977 plan.

(9) Indeed, although the Board fully supported the decision to move into the U.S. market, it did not realize what a major strategic decision it was. Once performance in the U.S. began to deteriorate, the Board's support quickly began to diminish. Therefore, the strategic decision to enter the U.S. market was not viewed as the major venture it turned out to be, because of the assumption that it was so similar to the Canadian market.

CHAPTER 7 - THE SUCCESSFUL COMPANIES: WITHIN-CASE ANALYSES

PEOPLES JEWELLERS

Peoples Jewellers is a jewelry retailer which is family owned and operated. Peoples is the second largest jeweller in Canada following Henry Birks and Sons Limited. The company operates 291 stores nation-wide. Its sales in 1987 were $195,400,000.

Peoples Jewellers was founded in 1919 by Frank Gerstein. He opened his first store in Toronto, based on a novel concept in Canada at the time -- selling jewelry on credit. Gerstein believed that jewelry should be affordable to the masses, so he built his business by selling jewelry at 50 cents down and 50 cents per week. By the time he died in 1957, Peoples Jewellers had become a national company with 18 stores and a mail order business.

Frank's son Bertrand took over at this point, and guided Peoples aggressive expansion program into the shopping malls. Peoples obtained stores in every shopping centre location available. By 1972, Peoples Jewellers had 98 stores throughout Canada.

In 1972, Bertrand Gerstein became the Chairman of Peoples and his son Irving became President. The 1970's was a boom period for jewelry retailing. Irving Gerstein guided the company as it grew into the second largest jewelry retailer in Canada, with 300 stores.

By the late 1970's, this growth trend came to an end as the Canadian market became saturated with shopping malls. To maintain sales growth, the company became more fashion-oriented and consumer-responsive. Stores were renovated and the merchandise was revamped to reposition Peoples as an innovative fashion leader in jewelry.

Peoples Jewellers is made up of two divisions -- Peoples and Mappins -- which operate under three trade names -- Peoples, Mappins and MacKenzies. Together the two divisions hold 19.2 percent of the Canadian jewelry market. Henry Birks holds approximately 21 percent. Peoples Jewellers' sales in 1987 were $193.4 million and its earnings before taxes were $12.9 million. As of August 31, 1987 the company operated 291 retail stores.

Peoples Jewellers entered the U.S. market twice -- once in 1978, with the acquisition of the White chain, a Salt Lake City operation with 14 stores in Utah, Montana and San Francisco. However, this accquisition was not a profitable venture for Peoples. In May of 1982, the operation was sold at a loss of $8.1 million.

The second entry into the U.S. was in 1981, when Irving Gerstein decided that the best way to enter the U.S. was through investing in a leading U.S. jewelry chain. In 1981, Peoples purchased 15 percent of Zale Corporation, the largest jewelry chain in the U.S.

On December 26, 1986, after one year, four offers, and the formation of a joint venture with Swarovski International Holding Company, Peoples Jewellers acquired Zale Corporation of Dallas. With this purchase, Peoples became the largest jewelry retailer in the world.

Over the next 12 weeks, Irving Gerstein and his management team implemented a major turnaround strategy for Zale. At the end of the year, Zale Corporation achieved 115 percent of its goal. The company continues to operate successfully in the U.S. market.

THE STRATEGIC DECISION MAKING PROCESS

Note: When discussing Peoples Jewellers strategic decision making process the discussion and analysis will focus on the strategic decision to acquire Zale Corporation. The lessons learned from the company's first experience in the U.S. in 1978 will be discussed as part of the company management's pre-entry orientation.

I. PRE-ENTRY

1. Decision to Enter

The decision to enter the U.S. market was made for one main reason: growth. In the 1960's and 1970's, Peoples had grown rapidly in Canada, due to the growth in shopping centres, which was a postwar development. Peoples found itself riding a wave across Canada, opening 20 to 30 stores per year. Eventually, however, the wave had no place to go. There were not enough people in Canada. When this growth trend died, the company found itself closing more stores than it was opening. Irving Gerstein, the President and CEO of Peoples commented, "The reason why retailers went to the U.S. is nothing magical -- You had done your thing in Canada and had to go somewhere. We thought about the U.S. as the next logical place to go." Charles Gill, Vice President of Finance, also pointed out why the company expanded into the U.S. market, "There was more room to grow in the U.S. ...and we needed more to sustain our growth."

2. Structure For Managing The U.S. Decision

The decision to enter the U.S. market was made by Irving Gerstein. Irving also decided how Peoples would enter the U.S. market -- by investing in an established, large chain, rather than building one. Irving had learned from the company's first experience in the U.S. market, that it was very difficult to build up a small chain. Therefore, he decided that he could more easily acquire part of an established company. This way Peoples could exist as a passive investor and, as long as the company performed well, Peoples would achieve the growth it desired.

Irving became interested in Zale Corporation, the largest jewelry chain in the U.S. At this point, Charles Gill, the Senior Vice President of Finance at Peoples, became actively involved in the decision process. Charles recommended that Peoples purchase approximately 20 percent of the stock in Zale, so that the investment could be accounted for using the equity method of accounting. In order for the equity method to be used, the investor had to have 'significant influence' over a company. Although this term was not defined explicitly, 20 percent of stock ownership was a commonly used guideline.

3. Preparation

In late 1980, Irving Gerstein briefly examined the U.S. jewelry market and concluded that Peoples should invest in Zale Corporation. When asked whether he had done any prior analysis before making this initial decision, Irving stated, "No, I just did it, I didn't even look at a financial statement for Zale." He did indicate, however, that he felt he had acquired sufficient knowledge of the jewelry business, over his 25 years with Peoples, to justify the Zale stock purchase. He stated, "I had great respect for the company and the family, and it was in an industry we knew." He also noted that, initially,

> The concept was to participate in Zale's growth, not buy it. The differences in the sizes of the two companies made it impossible to acquire Zale, plus Peoples could never raise enough money to acquire it.

4. Pre-Entry Orientation of the Top Management Team

As mentioned above, Peoples Jewellers entered the U.S. market once, in 1978, prior to the Zale stock purchase. In 1978, Peoples purchased 80 percent of a U.S. jewelry chain called White. Marvin Reuben, a U.S. jewelry consultant, who had introduced Irving Gerstein to the White chain, purchased the remaining 20 percent and became the President of the operation. The chain expanded from 14 to 50 stores, through acquistions and new store openings, over the period from 1978 to 1980.

However, the White chain was not a profitable venture for Peoples. Although the stores were profitable, they were not profitable enough to cover the investment carrying costs. In May of 1982 the U.S. operation was sold at a loss of $8.1 million.

Although Peoples' first experience in the U.S. market was not profitable from a financial perspective, it did allow the company management to learn a great deal about the U.S. market. The experience provided the key executives at Peoples exposure to the ways of doing business in the U.S. jewelry market. They discovered several factors that were unique to operating in the U.S. market. For example, they learned that credit played a much more important and integral role in the U.S. than it did in Canada. This, Charles Gill explained, was due to the vast difference in risk propensity between the two nations. The experience also convinced Irving Gerstein that it was almost impossible to enter the U.S. market regionally, if growth was the objective. Canadian companies, no matter how large, did not have the necessary clout in the U.S. market to negotiate favorable deals with suppliers, builders, or distributors, when they entered the U.S. on a small scale. This led to increased costs, and meant that they could not compete with larger U.S. competitors.

The first entrance into the U.S. also allowed the key executives at Peoples to learn from the mistakes they made. One of the major mistakes Peoples' top management team made, according to U.S. management, was that it failed to understand key differences between Canada and the U.S., and they tried to institute Canadian procedures that did not work in the United States (McCart, 1987). Irving Gerstein and Charles Gill stated the following reasons for failure:

1. "The main problem was that there was a President in the U.S. that was not a Gerstein." The chain was not under Peoples' control. Peoples acquired 80 percent of the White chain.

Marvin Reuben, a U.S. jewelry consultant, purchased the remaining 20 percent, and became the President of the operation. Irving and Charles stressed that not being totally in control of their own destiny was a major problem with the U.S. operation. "If you you want to have a company like that, run it yourself!"

2. The U.S. operation (White) was unable to get good locations because they were not a leading jeweller in the area. The best locations in the malls were given to well-established jewellers. Without a good location, they learned, performance was seriously affected.

3. Building a chain is very difficult because the new stores must go in the new malls, which have higher rents than the old malls. There is a lot of competition for these locations, which creates bidding wars and increases the rents even further.

4. The White chain required considerable capital expenditures, and Peoples was only able to borrow so much money. Therefore, it was very expensive.

Therefore, this first experience in the U.S. market made the top management team involved in the decisions related to the Zale acquisition, more knowledgeable about the U.S. market. They were aware that the two markets were not the same and they learned that the two markets could not be managed in the same way. Charles Gill commented on the orientation of the company's management the first time Peoples entered the U.S. market: "We figured if we can run a store 3000 miles to the West, we certainly can 90 miles to the South." Although this attitude created a number of problems with the venture into the U.S., it left the Peoples' management with a clearer, more accurate, orientation the second time around.

In addition to the company's first experience in the U.S. market, more specific information about operating Zale Corporation came as a result of Irving sitting on the Zale Board of Directors for four years, before Peoples decided to acquire it. This four years was crucial in providing Irving with knowledge about the way in which the American business operated, the differences between it and the Canadian organization, and the nature of the jewelry business in the U.S. versus Canada. Irving was also a member of the Zale audit committee. The seat on the Board and the audit committee gave Irving the unique opportunity to learn before he was actually responsible for operating the business himself.

5. Goals and Expectations

Both Irving and Charles agreed on the initial decision to acquire 15-20 percent of Zale. Their expectation was that their investment in Zale provide them with the same growth as they would achieve if they had built a chain of 250 stores in the U.S. The goal at the beginning was never to acquire Zale, as Irving pointed out, "The concept was to participate in Zale's growth, not buy it." Because the initial 15-20 percent decision was more an investment versus an acquisition, the company management did not foresee any major problems unique to the U.S. market, that would affect them.

II. ENTRY

Peoples Jewellers entered the U.S. market by acquiring 17 percent of the stock of Zale Corporation.

In late 1980, Peoples Jewellers began purchasing stock in Zale Corporation. By December of 1980, 5 percent had been purchased. The initial goal was to purchase approximately 20 percent. By September of 1981, the company had purchased 17 percent of Zale's stock, at a cost of $64.3 million, and was allowed 3 seats on the Board of Directors. Since this 17 percent was sufficient to create significant influence, it was decided not to purchase any further stock.

The three positions on the Zale Board of Directors were occupied by Irving Gerstein, Bertrand Gerstein (Irving's father) and Jim Roddy (Senior V.P. Finance at the time). This allowed the company members to learn about Zale, without actually having to operate in the U.S. market. However, although the members of Peoples were exposed to the issues facing the company, they did not have any say in the actual day-to-day strategic decisions made.

Once inside the company, Irving found things to be very different than what he had anticipated. He indicated, "I became concerned about Zale's ability to grow in the future." Although the company was the industry leader in the U.S., it was frought with problems. In addition, shortly after Peoples made the investment, interest rates began to soar. Irving commented, "We weren't making money on our 17 percent. It was costing us $1 million per year and the dividends did not offset this."

Irving felt that there was trouble with the leadership at Zale. "I knew I could run the company better -- the problem was leadership." Irving and Charles considered their options with respect to Zale and decided that purchasing Zale was the best one. Charles commented on the rationale, "Even if we eventually sold our investment, this action would create a higher selling price."

1. Strategic Decisions Made

a. Preparation For Takeover

When it became obvious that Peoples was in a position to purchase a controlling interest in Zale, a complete analysis of Zale Corporation was undertaken. In addition to the information gathered by the three members of Peoples who sat on the Zale Board of Directors (about the company, its key management, its ways of doing business, and its competitive environment), external professional assistance was sought. The company employed the services of Drexel Burnham Lambert, Inc., to assist the Peoples' management in the development of a complete financial analysis of Zale. This analysis included: (1) projecting Peoples' performance onto Zales's results; (2) projecting the potential consequences of a purchase of Zale Corporation; (3) determining changes that would be made upon acquisition of Zale and the resulting consequences; and, (4) developing financial models to manipulate the various assumptions, projections and calculations.

b. The Acquisition of Zale

During 1986, Peoples made 4 offers to acquire control of Zale Corporation; all offers were rejected. At this point, the investment bank involved, Drexel Burnham Lambert, Inc., requested further equity to secure the transaction. Gerstein also felt that it was necessary to limit the risk of his company's shareholders. Therefore, Peoples' management brought in a partner that they had known and had a personal relationship with, to participate in the takeover. Swarovski International Holding A.G. and Peoples Jewellers teamed up in a joint venture agreement. The Peoples/Swarovski joint venture made a final offer on October 19, 1986. This offer was accepted. Swarovski's involvement was as a silent partner.

2. Structure For Managing U.S. Decisions

On January 2, 1987, Irving Gerstein took full management control of Zale Corporation. He became the President and CEO of the company and Charles Gill became the assistant to the President. The previous President, the Chairman of the Board, and two Vice Chairmen, were terminated. Irving then set out to establish "the Office of the President" -- the top management team within Zale that would be responsible for making strategic decisions. This involved interviewing the key executives of Zale, which allowed Irving to become familiar with the company practices, as well as its management talent. Irving was interested in selecting a top management team that he could personally work with in running the company.

The reasons Irving decided to choose a top management team from within Zale were the following:

1. He knew from his seat on the Board that the company had some excellent top management talent.

2. He felt that the Zale management would know how to operate in the company, and in the U.S. market, better than he did.

Irving then called a meeting of the company's senior management. He outlined his vision of the new strategic direction that Zale would take. This was contained in what he termed four motherhood statements:

1. Zale is a retail jeweller; retailers make their profits across two feet of counter space.
2. Zale will have a simple organizational structure.
3. Zale will minimize the distance between the customer and the CEO.
4. The customer is boss; everything we do is to serve the customer.

It took Irving two months to identify the executives that he felt could best work within the new framework. The four members of Zale chosen for the office of the president were:

Randy Lively - Senior Vice President of Administration

Jerry Dawes - Senior Vice President of Store Operations

Merrill Wertheimer - Senior Vice President of Finance

Nick White - Senior Vice President of Merchandising (1)

a. Strategic Decision Making at Zale

By February of 1987, Gerstein had his management team in place. This team, "the office of the president", managed the decision process for Zale Corporation from that point forward.

With respect to decision making, Irving Gerstein was a great believer in 'process'. He pointed out, "If you've gone through the right process, then decisions aren't hard -- they fall out". Within Zale, Irving noted, "I don't do anything down there." He went on,

> I did not try to transport Canada to the south. I let them do what they wanted. They were the ones who knew what to do. They just needed someone to create the atmosphere for them to do it...I set the framework, but I let them do it.

All of the executives interviewed agreed that Irving was very interested in finding out how things were really done at Zale, how people thought and felt about things, and especially what their attitudes were. The following comments from the senior management of Zale provide a description of the way decisions were made at Zale:

> Irving's management style is one of giving very clear and firm direction, but giving great latitude in terms of accountability for you to carry it out. He is very clear as to what he wants done, but how he wants to do it, he usually leaves a great deal up to the people who work for him.
>
> Irving is clearly the boss, but he wants and elicits our opinions. He spends lots of time getting our thoughts on things.
>
> Irving never tells you what to do, instead he gives you an idea and asks you to think about it. He has a very unique ability to make you own what you do.
>
> Irving has never reversed a decision of mine. He has made recommendations to augment my decision.
>
> He tends to create an atmosphere in which decisions become obvious by the weight of the facts on the table. Irving's framework lays out the process for all decisions.
>
> Irving is not a tinker, not a meddler. He does not second guess people, or their decisions -- he likes to be kept informed about what goes on, but he is very supportive. There are no constraints on making decisions on a daily basis.
>
> Irving made the decision making process much less cumbersome. He made people take accountability and made the environment free to make decisions quickly.
>
> Decisions are made on a relationship basis. There is no set authority. Within the framework set out, you are free to make decisions.
>
> Irving was clear from the outset that he would rely on the people who were here to make the decisions/changes. In fact, he asked us what changes had to be made. It was very much a participative process.
>
> The process is one of 'let's put all of the issues on the table and we'll deal with them together. It is a very open process where everyone has a say. We aren't told to do anything...and there's an obligation to be honest to him.
>
> He did give us a broad general direction, which made it possible to do the things that had to be done. Irving created the environment for decisions to be made.

Two further elements of the decision making process were noteworthy. First, Irving insisted he be kept informed of all changes in plans, and any surprises, within each functional area. This way he could monitor the company's progress, be involved in important decisions, while allowing his management team to make day-to-day decisions. Second, during the strategic decision making process, Irving was often described as personally confident and open-minded. As Gerry Dawes stated, "Irving's confidence allows him to be flexible and adaptable. He is looking for the right way, not his way ... He has strong opinions, but he is not afraid to change them." Irving was described as being confident enough to listen to others' ideas and to change his mind when presented with additional information. In addition, Irving allowed senior management a tremendous amount of input into the strategic direction of the company.

b. The Partnership Concept

Irving created a 'partnership' philosophy for decision making at Zale. Irving noted, "The point is to keep them involved in the decisions. It's a feeling of mutual respect." The partnership was between the four functional areas of Zale: finance, marketing, administration and operations. The idea behind this concept was that each functional area was dependent upon the three other functional areas. When any decision was made, it was always discussed with any of the others who would be affected by it. This created a great deal of interaction between the Senior V.P.'s of each area, and ensured that each decision made, was viable for the organization as a whole. To encourage this, the offices of the Senior V.P.'s, Irving and Charles, were all rearranged to be located in the same section of the Zale building. This allowed for easy and necessary access to each other.

The executives interviewed felt that the tight partnership they had was successful for two major reasons. One of the reasons was because of the people involved. It took Irving 60 days to identify who the players would be to work together over the long term. Randy Lively commented, "Irving has a very keen insight into people. He was after "doers", not "talkers". He kept the best ones, so the healing process was rapid." Irving also selected individuals who worked well with he and Charles, as well as with each other. Those interviewed felt that a chemistry existed between the members of the top management team.

The other major reason the partnership was so successful was the mutual level of respect between the partners. "We each recognize that we have our strengths and weaknesses and we play off each other. Even Irving and Charles are inexperienced -- they readily acknowledge this, and they rely on Zale people to tell them what they need to know."

Each of the V.P.'s interviewed felt very positive about the partnership concept governing decision making at Zale. The following comments reflect this:

> We have tremendous respect and liking for Irving, and for each other.
>
> We disagree all the time. We have controversies and it's confrontational. But, we don't ever fight. Everything is on top of the table. We deal with issues, not personalities.
>
> The beauty of it is that we have five players who are totally interdependent. We cannot be successful without each other. So we look over each other's fences, into the other's back yard, more often than most would.
>
> Because we are so mutually interdependent, we are always interested, and have a stake in discussing issues. You can't bring something up until you have partnered it with the others who would be affected. Before we never spoke with each other. Now, we have incredible cross-pollinization.
>
> The most dramatic change in Zale has been the partnership concept. It creates an atmosphere very conducive to getting things done because, instead of working against one another, we work together.
>
> We work very well together, because there is a balance among us. I'm always saying, 'the sky is going to fall' and Gerry is saying, 'let's go to Mars'. We're destructive alone. We all bring different perspectives to any issue, so you get the whole picture. It's much easier to get things done, when you're not worried about turf -- when you can concentrate on working together.

Each of the Senior Vice-Presidents felt that they were responsible, as a team, for handling the day-to-day operation of Zale. "Irving manages the process, we manage the business."

c. Timing of Decisions

All of the top management team members agreed that there were not a lot of formal meetings at Zale, but there were a lot of informal discussions between at least two members of the "office of the president". Once a month, the six members met formally to review the key issues facing Zale, and discussed "how they were doing". The company's performance was reviewed, areas for development were discussed and strategic issues were explored. In addition to this, either Charles or Irving met frequently with each of the four Zale executives on an individual basis. Additional communication was on a more informal, ad-hoc basis. Meetings were set up when necessary, when circumstances warranted.

Decisions were made relatively quickly at Zale. Randy Lively commented,

> The decision making turnaround time is very fast at Zale -- faster than in any organization I've been a part of. The decision making process goes through a short cycle. We first get all the facts on the table. Then, it's true partnering. None of the four Senior V.P.'s is reluctant to make a decision or to support a decision. Then we facilitate down the organization why we made the decision -- so they can make it happen.

The only issues Irving was involved in were those affecting the overall strategic plan.

Irving Gerstein did not believe in a lot of formal or committee meetings. "When you are running a company with an $85 million interest bill, you don't sit around having committee meetings." Other than through Irving or Charles, there was no formal contact between the Canadian and American companies. Zale was managed separately and differently than the U.S. Zale Corporation.

3. Strategic Decisions Made

Zale Corporation was acquired during the last week of December. Irving Gerstein and Charles Gill were at Zale the first Monday after Christmas. From the outset, Irving made it very clear that he would be running the company as President. Over the first few weeks at Zale, Irving Gerstein attempted to learn as much as he could about the business. He interviewed all of the executive officers of the company, in divisional and corporate positions, about their views of the company's problems and where the company was going. Approximately 35-40 executives were interviewed. Based on the information gathered, Irving developed a framework to guide the strategic decisions made at Zale. The early decisions were made by Irving and Charles. Charles indicated,

> There were no conflicts in the decision making process, because we were building off the same model. I was more definite about things, because you need to be specific when you're raising money. Irving's role was more visionary.

Irving communicated his vision to the employees at Zale, and told everyone that he wanted to move quickly. From January to April of 1987, several changes were made to Zale:

1. Zale was reorganized along functional lines. This eliminated a lot of overlap that occurred in the divisional approach. Irving also made it clear that he wanted to be the leader of the company.

2. The company's business was refocused solely on jewelry retailing - this meant cutting Zale's manufacturing operation.

3. Changes were made to improve profit figures. Expenses were cut, by reducing the number of staff significantly. Bonuses were tied to performance measures.

4. The company's marketing strategy was repositioned away from promotional discounting to emphasizing value, fashion and exclusivity, a product-driven approach. Promotional advertising was centred around credit. Zale had one of the finest credit organizations in the U.S.

Although Irving and Charles had some very clear ideas on how to improve the performance of Zale, they encouraged all members of the management team to provide input. Gerstein was quoted in the Zale company magazine as saying, "I am relying on the expertise and vision of the senior officers who make up our new organizational structure to map out the details and strategies as we move ahead."

Indeed, Irving relied heavily throughout on input from the Zale managers. For example, he stated,

> They (the management team) came up with the ideas to reduce expenses. They determined how to reduce the staff by 1600. I let them do what they wanted. They knew what to do. They just needed someone to create the atmosphere for them to do it.

Gerry Dawes stated, "It was clear from the outset that Irving would rely on the people who were here to make the changes. He asked us what changes had to be made. It was very much a participative process."

The differences between Canada and the United States meant that Zale had to be managed differently than Peoples. Irving made the following comment soon after the purchase:

> I have made it very, very clear. There will be no consolidation of Peoples in Canada with Zale. They will be two separate stand-alone operations. We are not taking Canadian management down there...I feel strongly that Canada is not the U.S. and the U.S. is not Canada. I come with no baggage, and they have an extremely talented professional management team. My role will be to create a framework for them to make Zale Jewellers the most exciting environment for a customer to be in.

a. How Were The Decisions Managed?

Since several decisions were made over a very short period of time executives were asked to explain how the decisions were managed. The first essential of the strategic decisions was speed. The decisions were made very quickly, with a crisis management mentality communicated throughout the organization. "Employees were not given chance to agonize over the last change, because they were contemplating the next one." Gerry Dawes commented, "We also tried very hard to let people know there would be change and kept them informed about the changes along the way." Gerry also commented on the effect of the changes on the organization:

> The changes were easy because Irving wiped the slate clean and started from scratch. Everybody's thought process changed because they knew it was a new company. Irving used people expecting change as an opportunity to change everything. That's something not everyone making an acquisition is smart enough to capitalize on.

b. Goals/Expectations

An Earnings Before Interest and Taxes (EBIT) figure of $100 million was agreed upon by all members of the top management team as a realistic goal for Zale for the first year. The seriousness of this objective was made obvious when Irving announced that all bonuses paid to the senior managers would be tied to its accomplishment. As Gerry Dawes indicated, "Irving put his money where his mouth was. He was willing to share the money with us if it was made." He added, "When the executive's incentives were set around the EBIT figure, it focused everyone on a crystal clear, hard objective." This objective also created a desire among managers within Zale to help other managers increase the EBIT. Individual rewards would be passed out only if the objective was achieved. Irving commented, "If the company didn't make it, then no one did." In addition, all managers within the organization had their bonuses tied to some performance measure. The EBIT measure was not used for everyone, because the lower level managers did not have control over the elements involved in its achievement.

4. Initial Performance

By April of 1987, all of the strategic changes had been completed. In the fall of 1987, once the fall marketing program was implemented, the company's performance began to improve. As the company moved into the Christmas season, sales soared. Employees were ecstatic about what was happening. Zale ended up having the most profitable Christmas season it had ever had. In fact, performance goals were met and surpassed by over 15 percent. Morale improved and people began to internalize the success.

5. Entry Orientation of the Top Management Team

Because of the pre-entry orientation of the top management of Peoples Jewellers, and the fact that American management was hired to operate Zale Corporation in the U.S. market, the Canadian top management team members did not find themselves shocked, or unprepared for the U.S. market. However, they did note from their experience with Zale, that there were several differences existing between the two cultures and in the ways of doing business between the two countries (2). For example, Irving found that it was necessary to manage Zale very differently than Peoples. He commented, "You can't manage a company the size of Zale in the same way as Peoples." Nick White commented on the differences in the way decisions were made in each of the two organizations, "Irving has to be more hands-on in Canada ... He spends more time following up on certain types of detail in Peoples that he would not deal with in Zale." That is, in Zale, Irving relied more heavily on his senior management team, who he claimed were highly skilled, good managers, who knew Zale, and how to operate in the U.S. market.

Part of this had to do with the difference in the level of professionalism between the two countries. Nick White indicated,

> The level of professionalism between the two businesses (Peoples and Zale) is exceptionally different ... Generally, their (Zale management) skills, their experience sets, are much broader not only in terms of variety but also in terms of depth of knowledge than you will find here (in Peoples) ... The opportunity is there to manage the business from the point of view that says, we have in Zale a professional management group. They have high levels of management skills in whatever area they are dealing with, as well as, skills to manage people and to implement things.

The difference in the level of professionalism was considered to be largely a function of organizational size. A large organization like Zale had the money, challenge and drawing power, to recruit professional management talent. In addition, the size of the U.S. retail industry alone, allowed people within the industry to obtain a broad level of experience.

The senior executives found a number of cultural differences between Canada and the U.S. in the following areas:

Consumer Values and Behavior

There clearly are differences in the people. There is much more willingness on the part of the U.S. consumer to spend big money on jewelry -- "Cash for flash". (Charles Gill)

There clearly is a different value system that is part of the Canadian way of life that is different than the U.S. It is represented in the way Canadians buy and how they shop. The propensity to buy is very different. U.S. consumers have unbelievable demand. It has to do with their different value system. (Nick White)

Management Values and Behavior

There is a greater desire for independence from Americans. There is an attitude in the U.S. of "I have responsibility for this area and I make the decisions." Irving is less involved in decisions in the U.S. than he is in Canada. (Charles Gill)

U.S. businessmen are much more competitive. Their management approach is more self-contained than in Canada. The U.S. executive is not concerned with pleasing as much. (Charles Gill)

U.S. businessmen are more specifically action oriented to get something fixed. Canadians want to ensure that a process is in place to make sure it gets fixed. (Randy Lively)

Canadian management is more macro process oriented. They deal with issues horizontally. American management is more interested in dealing with issues in a vertical sense. (Randy Lively)

In Canada, consensus management is more important than in the U.S. Americans are more individualized, they operate more independently -- less as a part of the whole in the decision making process. (Randy Lively)

Employee Values and Behavior

The average employee in the U.S. is more out for themselves than is true in Canada. He is slightly more aggressive. There is a far greater interest in climbing the corporate ladder...in creating a good impression of oneself...in diligence...etc.

The saving rate is dramatically different -- in the U.S., it is much lower. This makes credit far more integral to the U S. consumer than it is in Canada. (Charles Gill)

General Cultural Differences

Canadians are more formal in their personal dealings. There is more of a European restraint between people in their business and personal dealings. (Gerry Dawes)

The demographics are different. There is much more variety in the U.S. customer base...ethnic groups, etc., ... it's a different cultural base. (Nick White)

Canada has a more homogeneous, accepted value system -- politically, economically, and socially. In the U.S., it is more heterogeneous ... far more diverse. The value systems between regions can be very different. There is more homogeneity when you move from the North to the South (i.e. Vancouver to Seattle) than when you move East to West (i.e. L.A. to New York) in the U.S.. There is much more East-West consistency in Canada than there is in the U.S. It makes it easier to market in Canada because of that.

The competitive environment was also identified as being very different in the two countries, by all but Irving Gerstein. Irving stated that the U.S. was as competitive as the Canadian jewelry market, but not more. He also commented that because the jewelry sector in both countries was highly fragmented, both countries had strong competitive environments. The others interviewed indicated that the U.S. business environment was much more competitive, due to the increased number of players and the marketing experience of larger competitors. Charles Gill stated, "The U.S. is far more competitive in every area than in Canada." These executives also felt that the nature of U.S. competition created very different business practices than existed in Canada. Nick White provided some key examples:

> The level of specialization in retailing is unbelievable in the U.S. The U.S. population is large enough to warrant this. It creates real barriers to entry, especially if you carry broad lines. You have to have focussed, specialized products in the U.S. to do well. (This is totally different than the situation in Canada) Good products and prices won't do it in the U.S. No one notices unless you have something different. There is no place for the generalist in the U.S You have to have a narrow range and sell it well. Your stores must look good, and provide excellent service.
>
> Therefore, we knew we needed a broader extended approach to marketing than in Canada, that would uniquely differentiate ourselves from the competition...In the U.S. no product is unique (unlike Canada). If it is not already there, the competition will copy it immediately. (Versus in Canada where, because of the limited competition, the market catches up very slowly.) The issue is taking the product that is being sold and figuring out how to do it better than your competition in terms of how you market.

Charles Gill also commented that differences in competitiveness show up in business dealings, "For instance, the banks are very different in Canada and the U.S. In Canada, the banks are almost smug. In the U.S., they are far more competitive, therefore, they are much more responsive to your needs."

III. POST-ENTRY

After the first year and a half of operating in the U.S. market, Irving Gerstein described the Zale acquisition as a "whopping success". All of the members of his top management team agreed. The morale in the company was better than ever, because people believed in themselves and the company.

1. Post-Entry Orientation/Lessons from the U.S. Experience

When asked to comment on the reasons why the Peoples' acquisition of Zale was such a success, the executives gave the following reasons:

> 1. Irving sat on the Board of Directors of Zale Corporation for four years prior to takeover. This gave him a good feel for the company, and where he wanted to go with it. This also made it possible to implement such a rapid turnaround. It gave Peoples exposure to the company and to the knowledge base.
>
> 2. Peoples purchased the leading jewelry operator in the U.S. market. Although it was necessary to get it back on track, it was in a dominant position to start with. Therefore, it had clout in the marketplace, unlike the small chain of jewelry stores Peoples purchased in 1978. Irving strongly recommended not entering the U.S. market regionally. "I believe that you go big or you stay home."
>
> 3. The management talent present within Zale was excellent. Irving was able to rely on this American talent to run the business. They understood how Zale operated, as well as how to operate in the U.S. market. Irving set out the model or framework governing the decision process, but he let the Zale management make the decisions.
>
> 4. Irving and Charles are down in the U.S. running the company. Therefore, the company is within their own control. Irving and Charles currently spend two days per week at Zale.

5. There was a clear performance focus for the U.S. operation. Everyone in Zale knew what was expected of them. Rewards were tied to the performance of a clear objective. Irving and Charles were able to create an incredible enthusiasm for performance.

6. There was tremendous enthusiasm within the company. Irving was confident that he could win the faith of Zale employees, but it happened much more quickly than expected.

7. The top management team at Peoples did not attempt to transport Canada to the U.S. The Peoples' management were clear about this from the outset. They did not try to impose Peoples on Zale. They let Zale develop its own success.

8. Peoples management recognized that there were differences between managing a company in Canada and managing one in the U.S., and played on them. Charles Gill commented, "For example, part of our success is because we are very aggressive in promoting credit in the U.S., which is very different than in Canada."

2. The Future

Executives at Zale noted that they were always concentrating on improving the current situation. They were convinced that by 1990, Zale would be state-of-the-art in information systems. At that point, they would be prepared to expand and grow the business. Randy Lively stated, "We want to own 15 percent of the U.S. jewelry business. We now own 7 percent."

The top management team felt that they would be even more successful in the future.

> The foundation or platform for the business is now well-established. We can do things now that will hurt the competition. There's a 'soar with the eagles' mentality at Zale. We have people willing to take risks and to work together. Irving and his partner have a readiness to invest capital in stores. We've got the people, the resources, the management vision, and the systems to make it all work. The only obstacle would be external ... like an economic setback ... out of our control.

Irving made one final comment, "I want to be the best company in the world -- the best place to work, not just the best jeweller."

Figure 22 summarizes Peoples Jewellers' strategic decision making process.

FIGURE 22 - SUMMARY OF PEOPLES JEWELLERS' STRATEGIC DECISION MAKING PROCESS

I. PRE-ENTRY

1. DECISION TO ENTER THE U.S. MARKET

Focused on U.S. market for expansion. Was carefully planned and thought through. Viewed as a major strategic decision. All those involved were fully committed to making U.S. decision successful.

2. PRE-ENTRY ORIENTATION OF THE TOP MANAGEMENT TEAM

a) Experience in/Knowledge of the U.S. Market

Top management team had gained experience in, and knowledge of, U.S. market from U.S. market, from first entry into U.S. in 1978, and by sitting on Zale Board of Directors.

b) Perception and Assumptions about U.S. Market

Top management team perceived the Canadian and U.S. retail markets to be different. Top management team assumed that organizations in each of the two countries had to be managed differently.

3. PRE-ENTRY STRATEGIC DECISIONS MADE

a) Preparation

(i) Mode of Entry

Top management team recognized from its first experience that greenfield operations were too difficult. Therefore, decided to acquire.

(ii) Preparation Time

Spent four years on Zale Board of Directors and Zale audit team, gathering information, prior to takeover. Several months were spent with aid of investment bank, analyzing financials, prior to takeover.

b) Information Sought

Information gathered on Zale Corporation - how it operated, its key management, its competitive environment. A complete financial analysis was undertaken. Information also gathered on U.S. jewelry market. Information gathered was incorporated into strategic decisions made regarding the U.S. operation.

c) Expectations/Goals For the U.S. Market

EBIT figure of $100 million was set for Zale's first year of operation. Everyone agreed it was realistic. Bonuses were attached to its achievement. Therefore, there was a great deal of commitment to the goal.

II. ENTRY

1. STRATEGIC DECISIONS MADE FOR ENTRY

Strategy for U.S. operation was developed from the input of the Zale top management team. It was developed separate from the Canadian strategy. Worked with strategy in place at Zale and made it better by capitalizing on the U.S. company's strengths.

2. STRUCTURE FOR MANAGING U.S. DECISIONS

Decisions were made by four senior executives of U.S. operation, within decision making framework established by President of Canadian operation.

3. EFFECTIVENESS (PERFORMANCE) OF INITIAL DECISIONS MADE

U.S. operation achieved 115 percent of its performance objective.

4. ENTRY ORIENTATION OF TOP MANAGEMENT TEAM

Canadian top management team found themselves prepared for U.S. market.

5. SUBSEQUENT STRATEGIC DECISIONS MADE

Initial decisions were effective, therefore, subsequent strategic decisions were made in accordance with the original strategy laid for the U.S. organization. Were able to concentrate on implementing strategic decisions and competing in the U.S. market.

III. POST-ENTRY

Operating successfully in U.S. market.

Figure 22. Summary of Peoples Jewellers' Strategic Decision Making Process

IV. ANALYSIS

PRE-ENTRY

Peoples Jewellers was successful with its acquisition of Zale Corporation for several reasons. The first reason was that the management from Peoples Jewellers had an accurate orientation toward the U.S. market, prior to acquiring Zale Corporation. From the outset, the company's management had a clear idea of what they were getting into, before they actually began doing business in the United States. The company had entered the U.S. market once before and, although it was an unsuccessful venture, it did allow the company's management to learn a great deal about the U.S. market. They discovered several factors unique to operating in the U.S. market. They were exposed to a very different set of business practices and a very different type of retailer. Therefore, when they entered the U.S. market the second time, the management was equipped with a knowledge base, and was able to apply the lessons learned from their early experience. The major mistake made, the first time, was their failure to understand the key differences between the U.S. and Canada, which caused them to attempt to institute Canadian procedures that did not work in the U.S. market.

In addition to the lessons learned from the company's first experience in the U.S. market, Irving was able to gather and obtain specific information about the company he was interested in acquiring, before he actually acquired it. This resulted from purchasing 17 percent of the company's stock, and being allowed to sit on the Zale Board of Directors. According to Irving, this four years on the Board, provided him with an understanding of the way in which Zale operated, its strengths and weaknesses, the differences between the people and the ways of doing business between the U.S. and Canadian markets, and about the overall jewelry retail business in the U.S. Irving Gerstein also sat on the Zale audit committee, which allowed him the unique opportunity to learn, before he was actually responsible for operating in the U.S. market himself. Thus, the time spent preparing to begin doing business in the United States market was considerable, and the information gathered, extensive.

When the company management decided to acquire a controlling interest in Zale Corporation, they also sought professional legal and financial assistance, to ensure that they were prepared to make such an acquisition. A complete analysis of Zale Corporation was undertaken, prior to the acquisition. The top members of Peoples Jewellers, including Irving Gerstein and Charles Gill were heavily involved in this process throughout.

ENTRY

Once Peoples entered the U.S. market, there were several further reasons why they were successful. One reason was that the acquisition was viewed as a major strategic decision. All necessary resources were committed to the U.S. venture, including financial resources and the time of the two top level management that Peoples Jewellers had -- Irving Gerstein, the President, CEO and Chairman of the Board, and Charles Gill, the Senior Vice President of Finance.

Second, the company management's pre-entry orientation toward the U.S. market was incorporated into the strategic decisions related to the U.S. venture. For example, Irving had learned that it was very difficult to enter the U.S. regionally, because small retailers in the U.S. did not have the clout to be able to compete with the larger more established retailers. Therefore, instead of making this same mistake over, Irving decided to purchase a piece of the largest, leading jewelry chain in the U.S.

Moreover, the management made the mistake of not being as involved as they should have been with the 1978 acquisition. With the acquisition of Zale, Irving and Charles were involved every step of the way. Gerstein made it clear that he planned to be the President and that Charles Gill would be his assistant.

They also learned some key differences between the U.S. and Canadian retail markets, that they incorporated into their strategy for Zale. For example, because credit was found to be integral to the American consumer, Zale 's marketing strategy promoted this in a better way than any of its competitors. Within twenty minutes, a customer could obtain up to $2,000 in credit at Zale stores.

Furthermore, the information Irving gathered while on the Board of Directors and the Zale audit team was incorporated into the strategic decisions made. Irving became aware of what the problems were at Zale, and from this information, developed a new strategic direction that Zale would take. Through conversations with Zale managers, he was able to determine exactly what changes needed to be made. He incorporated this information into a turnaround strategy that fit with the organization, and which he was able to implement within twelve weeks.

In addition, U.S. managers were chosen to staff the U.S. operation. Irving personally selected the most competent and skilled management talent from within Zale to operate the company. These men were not only knowledgeable about the company, but also acted as a source of information about doing business in the U.S. market. Although Peoples management did not undertake any specific cultural research, they were able to learn from Americans, who had very successfully operated within the U.S. market for many years. Instead of attempting to impose the values and practices of Peoples Jewellers onto Zale, Irving allowed the men he chose as the 'Office of the President' to make decisions and inform him of what needed to be done (within a framework set out by him). He listened, learned and adapted to the ways of doing business in the U.S. jewelry market. Because the Peoples' management had a reasonably clear picture of the U.S. market upon entry (the second time), and because they employed American personnel, who were knowledgeable about the U.S. market, they were not faced with any cultural shocks, or surprises, that they were unprepared for. However, they did continue to learn from their American counterparts in Zale about the differences between the U.S. and Canadian markets. Yet, because American managers were chosen to operate the business, the Peoples' management could learn without making mistakes. They listened to the Zale management, who they had tremendous respect for, and the strategies they set for Zale automatically incorporated the American differences.

Mapping the Strategic Decision Making Process

The strategic decision making process at Peoples Jewellers is illustrated diagramatically in Figure 23.

The major difference between Peoples Jewellers and the other two cases presented so far is the orientation of its top management team prior to entering the U.S. market. This factor is particularly differentiating because of its dramatic effect on every stage of the strategic decision making process. First, the top management team of Peoples Jewellers was interested in the U.S. market itself as opposed to being interested solely in expanding the Canadian concept into that market. Peoples Jewellers was not interested in transferring the Canadian concept to the U.S. market, whereas Mark's Work Wearhouse and Canadian Tire Corporation were. This was largely to do with the top management team's knowledge that the two markets were different and that organizations in each of the two countries could not be managed in the same way.

Second, the Peoples Jewellers top management team was committed to the decision to enter the U.S. and to making the U.S. venture successful. The two top executives of the Canadian operation operated the U.S. operation themselves, along with selected American executives. Their commitment also encompassed not only the expectation on the part of the Canadian top management team that the U.S. operation would do well, but also the development of a clear set

FIGURE 23 - MAPPING THE STRATEGIC DECISION MAKING PROCESS AT PEOPLES JEWELLERS

CODE: BLOCK = critical point in the decision making process contributing to its ineffectiveness.

INSIGHT = critical point in the decision making process contributing to its effectiveness.

PJ = Peoples Jewellers

1. DESIRE TO EXPAND CANADIAN OPERATION

Focus of expansion on U.S. market, not on Canadian concept.	INSIGHT #1 (See below)

2. PRE-ENTRY PERCEPTIONS AND ASSUMPTIONS

Top executive team perceived Canada and the U.S. to be different. Top executive team assumed organizations in each of the two countries should be managed independently. Top executive team did not intend to transfer Canadian retail concept to the U.S.	INSIGHT #2 (See below)

3. DECISION TO ENTER U.S. MARKET

Top executive team was focused on and committed to expanding into the U.S.	INSIGHT #3 (See below)

4. GATHERED INFORMATION

Top executive team gathered information about the company of interest in the U.S. and from its American management about the U.S. retail market.	INSICHT #4 (See below)

5. PRE-ENTRY DECISIONS

Top executive team made decisions for U.S. operation which incorporated #3 and #4.	INSIGHT #5 (See below)

6. PERFORMANCE IN U.S. MARKET

Decisions were effective for U.S. market, because they 'fit' with U.S. market.

7. SUBSEQUENT STRATEGIC DECISIONS FOLLOWED SAME PROCESS

INSIGHT #1: Top executive team was interested in expanding to the U.S. market, by acquiring a U.S. based company which would operate independently from Peoples Jewellers. There was no corporate arrogance as to the invincibility of the Canadian concept. They did not assume they could transfer the Canadian concept to the U.S. market.

INSIGHT #2: Top executive team recognized that the two countries were different based on lessons learned from their first experience in the U.S. market. They also realized that organizations in the U.S. needed to be managed independently from Canadian organizations. For these reasons, they did not attempt to transfer the Canadian retail concept to the U.S. market. Although the top executive team at Peoples Jewellers wanted to expand the Canadian operation, they did not believe that they had to do so by transferring the Canadian concept.

INSIGHT #3: Because the top executive team had operated in the U.S. market before and failed, they understood the importance of the strategic decision to enter the U.S. market. For this reason, their attention was focused on this decision, and there was utmost commitment to it in terms of financial and managerial resources. The commitment to do well was also evidenced by the fact that the top executive team set clear financial goals they were committed to realizing within the first year in the U.S.

INSIGHT #4: In addition to the knowledge the top executive team already had about the U.S. market, the top executive team did a complete financial analysis of the company of interest in the U.S. However, what distinguished it from the other companies discussed so far is that it also gathered a great deal of information about the U.S. retail market, and how to operate in it, from the American executives of Zale Corporation.

INSIGHT #5: The top executive team at Peoples Jewellers incorporated their knowledge of the U.S. market into its strategic decisions, while at the same time incorporating the input of the U.S. management who had experience in the U.S. market. This ensured that the decisions made were appropriate for the U.S. market and were effective in that market.

Figure 23. Mapping the Strategic Decision Making Process at Peoples Jewellers

of objectives/goals for the U.S. operation and a commitment to achieving them. This top management team commitment to succeed in the U.S. market is one of the key factors differentiating Peoples Jewellers from either Mark's Work Wearhouse or Canadian Tire Corporation. It is also one of the factors differentiating the company's second experience in the U.S. market from its first.

This unique pre-entry orientation at Peoples Jewellers came as a result of the company having entered the U.S. market twice. The first, with the acquisition of White Stores, followed a very similar pattern to Mark's Work Wearhouse and Canadian Tire Corporation. And, like MWWH, the top management team at Peoples Jewellers did not learn about its mistakes until after it had withdrawn from the U.S. market. However, in its second attempt at the U.S. market, the top management team applied the learning that had taken place from its first experience. As a result, the top management team's perceptions of the U.S. market were more accurate, they recognized that the two markets were very different, and this assumption of dissimilarity led to a very different strategic decision making process than what took place in either MWWH or CTC. Therefore, the many misperceptions and faulty assumptions that were part of the pre-entry orientation in both MWWH and CTC and which blocked the thinking of their top management team members, did not exist in Peoples Jewellers.

In addition to the lessons learned from their first experience in the U.S. market, the top management team at Peoples Jewellers gathered information about the company itself, and about doing business in the U.S. retail market, from the American executives within the U.S. company. Through this they learned a great deal about doing business in the U.S.

This knowledge was incorporated into the decision making process. Every strategic decision made for Zale incorporated a very different set of perceptions and assumptions about the U.S. market than had been incorporated in MWWH and CTC. The top management team at Peoples

Jewellers also recognized the need for input from American management of Zale, in order for them to make decisions which were appropriate for the U.S. market, and to provide them with a means by which they could continue to learn about the U.S. market. Consequently, the strategic decisions made 'fit' with the U.S. market, and Zale's performance was very effective. Thus, another major difference between Peoples Jewellers' experience and that of MWWH and CTC was that the strategic decisions made incorporated accurate knowledge of the U.S. market, and they were therefore very effective in that market.

Moreover, because of the effective performance of Zale Corporation, the top management team did not lose time or valuable resources revising decisions or rethinking perceptions and assumptions as in MWWH and CTC. That is, they did not have to go through a learning process while attempting to operate in the U.S. market as did MWWH and CTC. This greatly hindered the top management team's at MWWH and CTC as they focused their energies on correcting their mistakes and adjusting to the U.S. market. In Peoples Jewellers, the top management team was able to focus on successfully competing and improving performance in the U.S. market, as opposed to learning about and surviving it. Therefore, because the top management team at Peoples Jewellers had begun the process with a different pre-entry orientation, they avoided the blocks encountered by the other two company's top management team's, as they struggled with the adjustment process.

The Peoples Jewellers case is interesting in that it illustrates a successful attempt by a Canadian company to enter the U.S. market via acquisition. Canadian Tire's unsuccessful entry into the U.S. market by way of acquisition could have led one to believe that acquiring a U.S. company is a poor mode of entry. However, when the CTC acquisition of White Stores is closely compared with the Peoples' acquisition of Zale Corporation, it is clear why an acquisition is a viable way to enter the U.S. market. The striking difference between the two acquisitions is that White Stores was a run down chain that had not been performing well for some time, and Zale Corporation was doing quite well. This meant that the top management team of CTC not only had to cope with entering a market that turned out to be very different than their own, but also to turn around a company's failing performance in that market. As Irving Gerstein of Peoples commented, Peoples purchased the leading jewelry operator in the U.S. market. Although it had some problems, it was in a dominant position in the U.S. market to start with. It is much easier to do well with a company that is already successful than one that requires a major turnaround strategy. The analysis of the two cases suggests that Canadian retailers entering the U.S. market via acquisition should search for a successful candidate. This conclusion is supported from the experience of the next company studied, The Grafton Group.

The interesting aspect about the Peoples Jewellers case is that it describes the expe .es surrounding two attempts to enter the U.S. market. The first, with the acquisition of White Stores, followed a very similar pattern to Mark's Work Wearhouse and Canadian Tire Corporation -- the two other companies in the study which were unsuccessful in the U.S. market. Basically, it was unsuccessful in the U.S. for all of the same reasons. However, the second attempt to enter the U.S. market was very successful. But, it involved a very different pattern in its strategic decision making process than in its first attempt, or than in Mark's Work Wearhouse and Canadian Tire Corporation.

THE GRAFTON GROUP

The Grafton Group is a clothing and shoe retailer. It was incorporated in 1961. The organization consists of nine Canadian clothing chains and five shoe chains. It is a corporate owned and managed organization. The Grafton Group ranks 10th by profits, and 2nd by sales, among clothing retailers. Its 1987 sales were $627,700,000. The Grafton Group entered the U.S. in 1979 by acquiring Siefert's, a U.S. clothing chain which operated 51 stores. By 1987, the operation consisted of 147 stores in 23 states. The following paragraphs provide more information on the background of the Grafton Group and its experience in the U.S. market.

In 1961, Mr. Chater and Mr. William Heaslip incorporated a holding company in order to purchase Grafton Ltd., a retailing organization with 11 stores operating in southwestern Ontario. In 1969, this company merged with Jack Fraser Limited, a chain of menswear stores in Canada. In 1970, the company's name was changed to Grafton Group Limited. Over the period from 1971-77 the Grafton Group expanded rapidly through individual store growth, plus a series of 6 Canadian acquisitions. Its average company growth rate during the 1970's was 23 percent in sales and 58 percent in net income.

The Grafton Group consisted of five subsidiaries including Seifert's Inc. in the U.S. Four specialized in retailing. The other subsidiary manufactured and sold wholesale bedrooms and bathroom decorative products. The Grafton Group acted as an overall strategic management company for the subsidiaries. The major Canadian retail chains operated by the three retail subsidiaries in Canada were the following:

1. GRAFTON-FRASER INC.

    Jack Fraser
    George Richards Kingsize Clothes
    Grafton & Co.
    The Loft
    Sideffects
    Apparel Clearance Centres
    Nabour Stores

Licensed Department Stores in Woolco

2. MAHER INC. (comprised of 4 footwear divisions)

   Maher
   Julia
   Copp
   Footpath

3. ELKS

   Elks Menswear Stores
   Dapper Dan

At the end of the 1970's, the shopping centre trend and major Canadian retailing growth were coming to an end. The Grafton Group began to find limited acquisition opportunities in Canada. Since management was interested in continuing the company's expansion process, they began opening new retail chains and looked to the U.S. for acquisition candidates.

In 1973, Grafton acquired Seifert's Inc. which operated a chain of 50 ladies wear stores in the U.S. midwest. The U.S. acquisition was very successful at the time it was purchased.

Over the period from 1978 to 1988, the U.S. organization underwent numerous changes, as a result of rapid expansion, increasing competition and tough U.S. economic conditions. However, the organization has remained profitable over the 10 years since it was acquired.

THE STRATEGIC DECISION MAKING PROCESS

I. PRE-ENTRY

1. The Decision To Enter

Over the period from 1970-77, the Grafton Group expanded rapidly thoughout Canada, through a series of six major acquisitions. The company had also been a part of the major retail growth during the 1960's and 70's, largely due to the shopping centre trend. The company had extraordinary retail performance, and was often viewed as one of the best run companies in Canada. Grafton's management at the time was extremely interested in continuing the company's expansion process.

However, by the end of the decade, the senior management at the Grafton Group found themselves faced with limited growth opportunities. There were few good acquisition opportunities, and the shopping centre growth of the previous two decades had come to an end. William Heaslip, the President and CEO of The Grafton Group, commented "We had a chain of stores across Canada and, by 1978, we felt that there was going to be less and less opportunity for growth in Canada, so we decided to take a look at the United States." Therefore, the management decided to search for good acquistion opportunities in the U.S. The management team felt confident that this was the best method for international expansion. No other options were considered.

2. Structure For Managing The U.S. Decision

The decision to enter the United States was made in 1978, by Mr. Heaslip and his partner at the time, Mr. Chater (3). Chater was originally the President of The Grafton Group, whereas, Heaslip was the Executive Vice President. The two partners had purchased Grafton Limited in 1961, which eventually merged with Jack Fraser Limited in 1969. In 1970, the company's name was changed to Grafton Group Limited, indicating management's plans for expansion. As the company expanded, it was organized into five subsidiaries. The Grafton Group acted as an overall strategic management company. Heaslip acted as the Chairman of the Board for four of the five subsidiaries. He provided strategic direction, but was not involved in their day-to-day decisions.

All strategic decisions at Grafton were made by Heaslip and Chater. They were then submitted to the company's Board of Directors for approval. Therefore, the structure for managing the U.S. decision was the same as the normal strategic decision making structure.

3. Pre-Entry Orientation of Top Management Team

Heaslip indicated that, from the outset, he realized that it would be necessary to enter the U.S. market via acquisition. His underlying rationale for the decision was that, "They (the U.S. and Canada) are two different markets. You have to have some personnel and an operation down there." When asked whether a greenfield site was even considered as an option Heaslip commented,

> No, we never considered a greenfield operation. I would think that they would be too difficult. To go in cold turkey -- you would have to hire people -- I think you would want a little more comfort. You have to have someone who is knowledgeable about the market, because the U.S. is a completely different market ... with a different set of suppliers. If someone went down to learn it from scratch, they would probably make too many mistakes.

Overall, Heaslip felt that the Canadian management at Grafton would not have an adequate understanding of the U.S. market to attempt to operate in it themselves. He stated,

> I'd be afraid to take the Canadian concept to the United States. I think you tend to do the things that you know. Just because they work in Canada, does not mean that they will work there (in the U.S.). You have to have people down there who know what's going on.

4. Preparation/Information Sought

Once the decision was made to enter the U.S. market, via acquisition, Heaslip commented that, "This intention was telegraphed to the financial community, and we started to get U.S. brokers bringing opportunities to us." Grafton's management team did not undertake this search themselves because they felt that the financial analysts were in a much better position to identify available opportunities. Furthermore, the company had successfully made its Canadian acquisitions using the same approach.

The Grafton management communicated two criteria for its U.S. acquisition candidates to the U.S. brokers. "We were interested in an American acquisition in soft goods operation", stated Heaslip, "and we wanted to focus on the mid-west."

Each potential candidate presented to Grafton was evaluated very thoroughly by the members of the top management team. In 1978, after the Grafton management had decided against two potential candidates, they were presented with the opportunity to acquire Seifert's Inc., in Cedar Rapids, Iowa. The company was privately owned by two brothers, Bill and James Seifert. It operated a chain of fifty stores selling ladies wear in the mid-western United States. The company became available when Bill Seifert decided to retire, and wanted to sell his share of the company. Because James Seifert was not in a position to buy his brother out, the company was put up for sale.

Before any decision was made, Grafton's management spent six months analyzing Seifert's to determine whether or not it was the appropriate U.S. acquisition opportunity. Their analysis included examining the company's growth potential, to ensure it was compatible with the Canadian organization's. This involved studying Seifert's strategic decisions, especially with respect to the way money was spent, and the company's merchandising philosophy. They were impressed with their finding that Seifert's shared a merchandising philosophy that was similar to Grafton's.

In addition, management analyzed, "what the company was -- its image, products sold and target markets, what sales volume it had, its profit situation, and how much it would cost to buy it". To determine the company's profitability and growth potential, extensive financial analysis was performed. Furthermore, a member of the Grafton Group was sent down to the U.S. to complete a full analysis of the company, including the condition of its stores, their locations, their markets, their overall images, and their management talent. When the analysis was concluded, the Grafton management decided that Seifert's was an excellent expansion opportunity in the U.S. market.

However, the analysis of Seifert's also served to confirm Heaslip's earlier feelings about the differences between the U.S. and Canadian retail markets. Heaslip commented that the analysis confirmed that. "it was completely different in the U.S.. They run into different problems down there...there are too many different things." Heaslip and Chater were convinced of the necessity of having a U.S. President who understood the American retail market, running the U.S. operation. They felt that a Canadian manager's lack of knowledge of the U.S. market would lead to too many mistakes.

As a result, both Heaslip and Chater felt that it was key that James Seifert stay with the company until a new President could be found. James Seifert had worked as the company's operating head for a number of years. Therefore, they felt that he knew a great deal about how to compete in Seifert's markets. Furthermore, they had developed a great deal of respect for him during the negotiations to acquire Seifert's.

Fortunately, James Seifert agreed to stay with the company for five years as its President. His only condition was that he be allowed to continue the company's plans for expansion. This was quickly agreed to, as Grafton's plans also involved expansion of the U.S. operation. Heaslip clearly stated that, had Seifert not agreed to stay, they would not have purchased the company. He felt very stongly that the company would have to be run by an American who understood the market.

No other analysis was completed. Mr. Heaslip pointed out that because he had no intention of running the U.S. operation with Canadians, there was no need.

II. ENTRY

The Grafton Group agreed, in principle, to acquire Seifert's Inc. for $20 million in July of 1979. Once the acquisition was made very few changes were made to Seifert's, because Grafton's management were very pleased with the way it was run. They agreed with its merchandising and marketing strategies, as well as its commitment to expansion. In fact, the U.S. company's plans for expansion were encouraged by the Canadian organization. In addition, all of Seifert's management and staff were retained.

1. Structure For Managing U.S. Decisions

The management team at Grafton had never planned on being involved in the active management of the U.S. operation. Instead, it was agreed that Seifert's should be operated by Americans who understood the U.S. market. Therefore, it was decided that no Canadian management or other personnel would be infused into the U.S. operation. Heaslip stated the rationale for this decision:

> We always planned to have Americans run the operation because it's a completely different market. Too many people (Canadian retailers) go down to the U.S. and send Canadians to run things -- find it is very different -- and run into big problems.
>
> It would be difficult for me to make decisions in Iowa or Wisconsin. They should do it -- the ones who are down there should make the decisions, based on their constraints.
>
> The U.S. organization has a different set of suppliers...they know the locations...they know where you want to be and where you don't.

Because of this philosophy, the structure for managing U.S. decisions consisted of James Seifert and his U.S. management team, the same group who had always made such decisions. Heaslip commented, "We give him (James Seifert) a fair amount of autonomy."

Although the U.S. management team was left in place to operate the business and make decisions, the Canadian organization maintained control over its U.S. acquisition at all times. This was achieved by way of two mechanisms -- a budgeting system and a financial reporting system (4).

Seifert's management team had always prepared budgets and strategic plans for the company, on an annual basis. When the Grafton Group acquired Seifert's, one change was made. The U.S. team was required to present their budgets and strategic plans to Grafton's top management team and its Board of Directors, for approval. This ensured that all strategic decisions made in the U.S. operation were agreed upon by both Seifert's and Grafton's management teams.

The financial reporting system consisted of Seifert's providing Grafton with regular statements of sales and preliminary profit figures. Sales were reported weekly to the Canadian organization whereas income statements were furnished monthly. It was also required that all major capital expenditures be approved by the Grafton management and Board.

In addition, Heaslip indicated that he kept in contact with James Seifert by regular telephone conversations. Furthermore, Seifert made 4-5 trips to the Canadian organization every year, and the Grafton management travelled to the U.S. operation once per year.

2. Strategic Decisions Made and Performance

Over the period from 1979 to 1988, several strategic decisions were made by the U.S. management team. Immediately after the acquisition, Seifert's management developed a three year plan for growth, with a goal of reaching 100 stores by 1982. They decided to concentrate on the midwest, since it was what the management team knew best. They also planned to open in larger cities. During the first eighteen months, seventeen new stores were opened. However, over the same period, the company faced a national and a midwest recession. Therefore, performance was below initial expectations.

In 1981, Seifert's management decided to open a new division with a more specialized retail focus. This was decided upon as a result of moving into some of the larger cities, where competitors carried more narrow product lines. Three stores were opened, named Mark Henri, which targeted the career woman, aged 21-49. The company continued its expansion over 1981 opening 12 new Seifert's stores and 1 Mark Henri.

However, throughout 1982, the company continued to face the effects of a major U.S. recession, and a depressed midwest farming community. Over 1982, net profit was down 11.7 percent -- a low for Seifert's, but still above industry averages.

In 1983, the management concentrated on improving the organization's competitiveness, by controlling inventories and improving customer service. They also added to the management structure to support the company's increased size. In 1983, the company performed very well. Net profits increased by 77 percent and sales increased by 14.2 percent.

In 1984, however, the company was severely affected by the agricultural economic conditions in the midwest. Seifert's management team concentrated on "no nonsense" economic goals: maintaining profit margins, increasing sales, and reducing expenses. Fortunately, James Seifert agreed to stay with the U.S. operation as President for an indefinite period of time. He was very pleased with the situation.

In 1985, the company had one goal only: to achieve a 2 percent increase in margin, in order to maintain the company's competitive position. Performance turned out to be very good. Sales increased 38 percent, profits were up 55 percent over 1984. The company also purchased 13

La Vogue stores on the southeastern seaboard of the U.S. This decision was made to help reduce the company's dependence on the midwest market, which had severely hindered their profits and growth potential. The company was also changed to a more decentralized management structure to ensure it remained consumer responsive.

1986 was a year of major expansion. 11 Seifert's, 5 Mark Henri, and 5 La Vogue by Seifert's stores were opened. In addition, the company acquired 30 "Beverly's" stores based in Michigan. However, the company had difficulty establishing a customer base in these stores. Overall, company performance was poorer than in 1985.

In 1987, James Seifert became the company's Chairman and CEO, while Mr. Vanderlinden, formerly Executive Vice President, was promoted to President. The change was made so that James Seifert could concentrate on strategic merchandising and operational development. The company was marginally profitable in 1987.

Overall the U.S. operation was managed as an inverted pyramid, with the customer being the final boss. To ensure customer satisfaction, everyone's performance within Seifert's was tied to the success of the company.

3. Entry Orientation of Top Management Team

Because the Canadian top management team did not manage the U.S. operation, they did not find themselves unprepared for the U.S. market. They did find, however, from their interaction with the U.S. top management team, that the differences they perceived to exist, between doing business in Canada and the United States, were actually greater than they had anticipated. For example, William Heaslip made the following observations about the differences between the U.S. and Canada:

In the U.S., they sell different merchandise, and they have different ways of doing business. For instance in Canada, credit is 2 percent/30 days, whereas, in the U.S., 8 percent cash discounts are built right into the system -- there are big, big cash discounts in the U.S.

There are definite markets in the U.S., whereas, in Canada, it is basically one.

There are more national suppliers in Canada than in the U.S. In Canada, the bulk of suppliers are in Toronto and Montreal.

Americans are much more aggressive and competitive. They don't sit back and take anything. They are more free-enterprising. They hate Unions. In Fort Erie, if the government introduces a new policy, they sit back and take it. In the U.S., they would throw up their arms and kick and fight until they got rid of it.

III. POST-ENTRY

1. Post-Entry Orientation/ Lessons Learned

Overall, the Canadian organization was very pleased with the performance of Seifert's. When asked why he felt the U.S. acquisition had been successful, Heaslip made the following observations:

1. The U.S. and Canada are very different markets. We were successful, because we had American personnel running the U.S. operation. We have a good fellow running it who is an American. We had a real knowledge base in the brother who stayed down there. Seifert's had a good infrastructure, with good people. If it hadn't... we wouldn't have considered it.

2. We were in a good market. We have a band of stores across the U.S. (In this band) I think they are the same type of people. We like small places. We stay away from big places.

3. Seifert's was doing well. I wouldn't want to attempt a turnaround in the U.S.

4. We knew that the merchandise sold -- that it was what was wanted (because the company had been operating in the U.S. successfully). I'd be be afraid to transfer the Canadian concept to the U.S.

2. The Future

For the future, Heaslip noted that the company had restricted the company's expansion to five stores in the next year, to allow the company to stabilize, and to increase the profitability of low performing areas and stores. However, once this was accomplished, they hoped to continue Seif:rt's expansion in the U.S.

A summary of the strategic decision making process is summarized in Figure 24.

IV. ANALYSIS

PRE-ENTRY

There are a number of reasons the Grafton Group was successful with its U.S. acquisition of Seifert's. From the outset, the perception of Grafton s top management team was that the U.S. and Canadian retail markets were very different. This underlying assumption of difference led the management team at Grafton to decide to enter the U.S. market by acquiring a company that was (1) successfully operating in that market, and (2) had a strong management team in place, who understood the U.S. market. Indeed, Heaslip stated that he never considered any other mode of entry, such as a greenfield operation, because he did not think that the Canadian management had an adequate understanding of the U.S. market to successfully operate in it themselves. He also felt that Canadians could not learn about the U.S. market, from scratch, without making too many mistakes. Therefore, Heaslip saw it as necessary to have Americans running the U.S. business.

The Grafton management's strategic decisions regarding the U.S. venture were very much affected by their pre-entry orientation. As already mentioned, their decision to acquire versus

FIGURE 24 - SUMMARY OF THE GRAFTON GROUP'S STRATEGIC DECISION MAKING PROCESS

I. PRE-ENTRY

1. DECISION TO ENTER THE U.S. MARKET

Focused on U.S. market as only option for expansion. Decision was carefully thought through. Viewed as a major strategic decision. All of top management team was committed to making U.S. decision successful.

2. PRE-ENTRY ORIENTATION OF THE TOP MANAGEMENT TEAM

a) Experience in/Knowledge of the U.S. Market

Top management team did not have business experience in U.S. market, but stated they had knowledge of Canada/U.S. differences.

b) Perception and Assumptions about U.S. Market

Top management team perceived huge differences between the U.S. and Canadian retail markets. Top management team assumed that organizations in each of the two countries could not be managed in the same way.

3. PRE-ENTRY STRATEGIC DECISIONS MADE

a) Preparation

(i) Mode of Entry

Top management team's perceptions of differences led to decide that a greenfield operation would too difficult. Therefore, decided to acquire company that was operating successfully within U.S. environment.

(ii) Preparation Time

Searched for successful acquisition candidate with growth potential. No time limit for search. Spent one year analyzing potential candidates before finding the best one.

b) Information Sought

Top management team spent six months thoroughly examining Seifert's as a potential acquisition. Extensive financial analysis was performed. Full analysis of the company's stores, locations, markets, and its management talent. Information gathered determined decision to acquire.

c) Expectations/Goals For the U.S. Market

The top management team of the U.S. operation developed a detailed year plan for the company's continued growth and expansion.

II. ENTRY

1. STRATEGIC DECISIONS MADE FOR ENTRY

The strategy for the U.S. operation was developed by the American top management team. It was totally separate from the Canadian organization's. Canadian top management team allowed U.S. top management team to continue with its planned strategy.

2. STRUCTURE FOR MANAGING U.S. DECISIONS

Decisions for the U.S. operation were made by U.S. top management team. Major decisions were approved by Canadian Board of Directors. A great deal of autonomy was granted to American management team.

3. EFFECTIVENESS (PERFORMANCE) OF INITIAL DECISIONS MADE

U.S. operation continued to perform profitably.

4. ENTRY ORIENTATION OF TOP MANAGEMENT TEAM

Canadian top management team felt prepared for U.S. market.

5. SUBSEQUENT STRATEGIC DECISIONS MADE

Initial decisions were effective, therefore, Seifert's top management team made subsequent decisions in accordance with strategic plan.

III. POST-ENTRY

Continued to operate successfully in U.S. market.

Figure 24. Summary of Grafton Group's Strategic Decision Making Process

establish their own business in the U.S., incorporated management's assumption that the U.S. and Canadian retail markets were different. Similarly, the management's pre-entry orientation also led to the strategic decision to operate the U.S. acquisition with American personnel -- with people who understood the U.S. market. The Canadian management had no intention of directly managing the organization themselves.

Moreover, the assumption of difference led the Canadian to decide not to transfer the Canadian concept, or ways of doing business, to the U.S. operation. He stated, "I would be afraid to take the Canadian concept to the U.S. market." Heaslip was also aware of the potential danger of transferring the Canadian ways of doing business, as evidenced by his statement that, "Just because they work in Canada, does not mean that they will work in the U.S." Heaslip pointed out that people tend to do the things the way they have learned to, within their own country or culture. They do not adjust these practices when they enter a new country. These practices often do not fit with the new country. Therefore, it is easy to make mistakes before learning the way of doing things in the new country that creates a better fit.

Once the U.S. acquisition had been made, the group making the strategic decisions for Seifert's were those who had always done so. Having lived and operated within the U.S. market, it can be assumed that they understood it. Since the company had been very successful prior to its acquisition, they obviously knew a great deal about how to compete in Seifert's markets. Because they understood the U.S. retail market, the strategic decisions they made were effective in that market.

After the acquisition, Seifert's management team was given a great deal of autonomy to continue making the strategic decisions for the U.S. company. However, they were required to pass major strategic decisions through the Grafton management team, and its Board of Directors. This further ensured that the decisions made were good ones.

For the most part, the strategic decisions made by Seifert's management team, after the takeover, were effective in the U.S. market. Their plans for expansion tended to focus on what they knew best -- the midwest region of the United States. When they decided to move into other areas of the U.S., they did so in a way that would permit them to learn as they went along. For example, after being severely affected for three years by the depressed midwest economy, they decided to set up operations in other areas of the U.S. However, in doing so, they tended to stick to areas that were somewhat similar to the mid-west. They understood this area and were able to compete in it successfully.

In addition, Seifert's management decided at one point to attempt to move into larger cities. Because of their general understanding of the specialized nature of U.S. retailing, they quickly realized that, when operating in the larger cities, they needed to become even more specialized. Quickly adjusting, they decided to open a new division of stores, named Mark Henri, which had a more specialized retail focus. By allowing the U.S. management team to make the strategic decisions for the U.S. operation, the Canadian organization was not forced to deal with the U.S. market on its own, without the necessary knowledge of that market. Because of this, the decisions made were based on an understanding of the U.S. retail market. Therefore, they were decisions which fit, or were effective in that market. This fit was what had made Seifert's a successful company, before it was acquired, as well as after.

Mapping The Strategic Decision Making Process

Figure 25 presents the decision making process of the Grafton Group diagramatically.

In comparison to the other three cases, the Grafton Group case is unique in two fundamental ways. First, it is the only case in which the management acquired a U.S. company basically as an investment, without any real desire to become involved in the day-to-day operations

FIGURE 25 - MAPPING THE STRATEGIC DECISION MAKING PROCESS AT THE GRAFTON GROUP

CODE: BLOCK = critical point in the decision making process contributing to its ineffectiveness.

INSIGHT = critical point in the decision making process contributing to its effectiveness.

GG = Grafton Group

1. DESIRE TO EXPAND CANADIAN OPERATION

Focus of expansion on U.S. market, not on Canadian concept.	INSIGHT #1 (See below)

2. PRE-ENTRY PERCEPTIONS AND ASSUMPTIONS

Top executive team perceived Canada and the U.S. to be different. Top executive team assumed organizations in each of the two countries should be managed independently. Top executive team did not intend to transfer Canadian retail concept to the U.S.	INSIGHT #2 (See below)

3. DECISION TO ENTER U.S. MARKET

Top executive team was focused on and committed to expanding into the U.S.	INSIGHT #3 (See below)

4. GATHERED INFORMATION

Top executive team gathered information about the company of interest in the U.S. and from its American management about the U.S. retail market. — INSIGHT #4 (See below)

5. PRE-ENTRY DECISIONS

Top executive team made decisions for U.S. operation which incorporated #3 and #4. — INSIGHT #5 (See below)

6. PERFORMANCE IN U.S. MARKET

Decisions were effective for U.S. market, because they 'fit' with U.S. market.

7. SUBSEQUENT STRATEGIC DECISIONS FOLLOWED SAME PROCESS

INSIGHT #1: Top management team at the GG believed there were great differences between the Canadian and U.S. retail markets, and because of this, recognized the importance of the strategic decision to enter the U.S. market. For this reason, their attention was focused on this decision, and there was utmost commitment to it in terms of financial and managerial resources.

INSIGHT #2: The top management team also recognized that organizations in the U.S. needed to be managed independently from Canadian organizations. For this reason, they did not attempt to transfer the Canadian retail concept to the U.S. market. Although the top executive team at the Grafton Group wanted to expand, they did not believe that they had to do so by transferring the Canadian concept. Indeed, they believed that the Canadian concept most likely would not be appropriate for the U.S. retail market.

INSIGHT #3: The top executive team at the Grafton Group did a complete financial analysis of the company of interest in the U.S. However, what distinguished it from the other companies discussed so far is that before it would acquire a U.S. company, it demanded that the company have a strong management talent who would continue to operate the business in the U.S.

INSIGHT #4: The top management team at the Grafton Group allowed the strategic decisions for its U.S. acquisition to be made by the American top management team. Major strategic decisions were also passed through the Canadian Board of Directors. This ensured that the decisions made were appropriate for the U.S. market and had the utmost chance of success.

INSIGHT #5: The U.S. management team had experience in the U.S. market. This included accurate perceptions of the U.S. market and accurate information. This ensured that the decisions made were appropriate for the U.S. market and were effective in that market.

Figure 25. Mapping the Strategic Decision Making Process at Grafton Group

themselves. However, in spite of this, it confirms the pattern of learning that has taken place so far.

Second, prior to entry, the management team at the Grafton Group (Heaslip, Chater) claimed that they knew that the U.S. and Canada were very different markets, without having had any prior experience in the U.S. market. This is intriguing because each of the other companies made the incorrect assumption that the two markets were the same and that they could be managed in the same way. Although the top management team at Peoples Jewellers had a similar pre-entry orientation to the Grafton Group's with their acquisition of Zale Corporation, this came about only after learning from its first unsuccessful attempt in the U.S. market.

At the Grafton Group, this assumption of dissimilarity affected every strategic decision related to the U.S. venture. Because the decision making process incorporated this initial insight, it led to a very successful sequence of events and managed to avoid the major blocks that Mark's Work Wearhouse, Canadian Tire Corporation and Peoples Jewellers (the first time) encountered with their experience in the U.S. market.

After analyzing the strategic decision making processes of each of the four companies, a number of insights about the factors contributing to effective decision making processes become evident. These will be discussed in Chapter 8.

Footnotes

(1) Nick was an American, who had worked in Peoples Jewellers in Canada. Nick was transferred to the Zale Corporation after the person originally chosen was found to be unsuitable.

(2) Irving Gerstein was the only member of the top management team interviewed that did not feel that there were cultural differences between Canadian retailers and American retailers. He did, however, find differences in the ways of doing business between Peoples and Zale.

(3) Mr. Chater died in 1983, and Heaslip became Grafton's President and CEO.

(4) Seifert's reporting systems were upgraded to manage the new reporting and control requirements.

CHAPTER 8 - A COMPARISON OF THE FOUR COMPANIES

The previous two chapters presented a detailed description and analysis of the decision making process within the four Canadian retail companies studied. Chapter 6 presented the within-case analysis of the two companies that were considered to be **unsuccessful** in the U.S. market -- Mark's Work Wearhouse and Canadian Tire Corporation. Chapter 7 presented the within-case analysis of each of the two companies that were considered to be **successful** in the U.S. market -- Peoples Jewellers and the Grafton Group.

The within-case analyses were useful in providing the details of each company's unique experiences in the U.S. market. However, the objective of this chapter is to extract and analyze the common factors or patterns, across the four companies, contributing to successful and unsuccessful decision making processes.

In order to structure the across-company analysis, the first step involved analyzing the four company's experiences in the U.S. market on the various topic headings used in the previous two chapters. A summary comparing each company's experience in the U.S. market within each heading is provided in Figure 29 at the end of the chapter. During this analysis, two interesting phenomena developed. First, general patterns differentiating the two successful companies from the two unsuccessful companies became apparent within the various categories. The results of this analysis are presented in Figure 26.

Second, more specific patterns and factors differentiating successful and unsuccessful decision making processes were found both within the categories analyzed and, more importantly, from analyzing and combining findings from each of the various categories. The common factors or patterns which were identified as contributing to, and differentiating successful and unsuccessful

FIGURE 26

FACTORS DIFFERENTIATING SUCCESSFUL AND UNSUCCESSFUL DECISION MAKING PROCESSES

CODE: F = the two companies that were unsuccessful in the U.S. market
S = the two companies that were successful in the U.S. market
TET = top executive team

I. PRE-ENTRY

1. THE DECISION TO ENTER THE U.S.

F: The decision to enter the U.S. market was not viewed, or treated, as the major strategic decision it later turned out to be. The TET was not focused or committed to the decision.

S: The decision to enter the U.S. market was viewed, and treated, as a major strategic decision. The TET was focused and committed to U.S. venture.

2. PRE-ENTRY ORIENTATION OF THE TOP MANAGEMENT TEAM

a) Experience in/Knowledge of the U.S. market

F: TET members had no experience in, or knowledge of the U.S. market.

S: One company had prior experience in, and knowledge of the U.S./ the other believed there were huge differences.

b) TET Perceptions and Assumptions of U.S. Market

F: TET members perceived the U.S. retail market to be the same, or similar, to the Canadian retail market.

S: TET members perceived the two markets to be different.

F: TET members assumed that organizations in each of the two countries could be managed in the same way.

S: TET members assumed that the U.S. operation would have to be managed quite separately, and differently, from the Canadian organization.

3. PRE-ENTRY STRATEGIC DECISIONS MADE

S&F: Pre-entry orientation influenced strategic decisions made about mode of entry; amount and type of preparation undertaken; information sought; and the necessity of goal setting.

a) Mode of Entry

F: TET's pre-entry orientation was that there were no differences between the U.S. and Canada. Thus, the mode of entry chosen was the same as what had been done in Canada.

S: Mode of entry chosen was based on TET's pre-entry orientation that the U.S. was a different market. Both companies acquired, because of the perceived or known difficulty of greenfield operations in the U.S. market.

b) Amount and Type of Preparation

F: Minimal time spent in preparation. Criteria established for U.S. operation were same as in Canada. Both felt under a time pressure to enter the U.S. market.

S: No specific entry date was set. In Peoples, Gerstein spent four years before acquiring Zale. In Grafton, there was no time limit established to find an acquisition. The TET was interested in acquiring the best opportunity, whenever it presented itself.

c) Research/Information Sought

F: Research done was either designed and/or interpreted form a Canadian frame of reference. Information gathered did not provide TET members with a better understanding of the U.S. market. Results indicating differences between the U.S. and Canada were discounted. They were not incorporated into the strategic decisions relating to the U.S. venture.

S: Both companies sought information, based on the assumption that the two markets were different. One company sought information, based on an understanding of the U.S. market, gained from experience. The other sought information about the specific company of interest, and let those with U.S. experience run it. Both learned from Americans about the U.S. market and business they were considering for acquisition

d) Expectations/Goals

F: High expectations for the U.S. operation, but no specific goals were set to meet them. Therefore, no one was committed to their achievement.

S: Believed U.S. operation would be successful. Specific goals/ plans were developed to ensure success. There was total commitment to their achievement.

II. ENTRY

1. STRATEGIC DECISIONS MADE FOR ENTRY

F: Attempted to transfer the Canadian concept and ways of doing business to the U.S. operation.

S: Developed a strategy for the U.S. operation that was separate and different from the Canadian organization's.

2. STRUCTURE FOR MANAGING U.S. DECISIONS

F: Strategic decisions for U.S. operation made almost exclusively by Canadian management. Day-to-day operating decisions made by combination of junior level Canadian and an American, who were both unknowledgable about the U.S. retail market.

S: Strategic decisions for U.S. operation made by a combination of Canadian and American management. Day-to-day operating decisions made almost exclusively by American management who understood U.S. retail market.

3. INITIAL PERFORMANCE

F: Initial performance results were poor.

S: Initial performance results were good.

4. ENTRY ORIENTATION OF THE TOP MANAGEMENT TEAM

F: Realized there were great differences between the U.S. and Canada that they were unprepared for; many of these were culturally based.

S: The TET did not have any major realizations that they were unprepared for, since they knew their differences and had hired American managers to deal with them.

5. SUBSEQUENT STRATEGIC DECISIONS MADE

F: TET had to make alternate decisions to improve the performance of the U.S. operation. Had to focus on learning about, and surviving the U.S. market, instead of competing in it.

S: TET was able to continue making decisions in accordance with original plan. Therefore, TET was able to concentrate on competing in the U.S. market.

III. POST-ENTRY

F: Could not survive; withdrew from the U.S. market.

S: Continuing to operate successfully in the U.S. market.

Figure 26. Factors Differentiating Successful and Unsuccessful Decision Making

decision making processes, for entering and operating in the U.S. market, will now be discussed. Figure 27 illustrates additional across-company analysis from which these insights were drawn.

FACTORS DIFFERENTIATING SUCCESSFUL AND UNSUCCESSFUL DECISION PROCESSES

1. THE DECISION TO ENTER THE U.S. MARKET

Although all four companies studied cited growth and expansion as the reason behind their decision to expand into the U.S. market, a pattern of difference was also found between them. This difference had to do with two factors: a) the level of commitment to doing business in the U.S. market, and b) the level of commitment to succeeding in the U.S. market.

a) Commitment to Doing Business in the U.S.

To be successful in the U.S. market, Canadian retailers must realize that having a desire to do business in the U.S. market is very different than a desire to expand the Canadian concept into the U.S. market. Both of the companies that were succesful in the U.S. market did not enter the U.S. market in order to expand their Canadian organizations or their Canadian concepts to that market. They were committed to doing business in the U.S. market for its own sake. At no point did they believe that their Canadian concept would be appropriate for that market, nor did they attempt to transfer it to the U.S. market. On the other hand, the two companies that were unsuccessful in the U.S. market were interested in that market because it was the most attractive market available for this expansion, since the feeling was that there was no room left in Canada.

FIGURE 27

ACROSS-COMPANY ANALYSIS

Factors Differentiating Effective and Ineffective Decision Making Processes	Mark's Work Wearhouse	Canadian Tire Corp.	Peoples Jewellers	Grafton Group
DECISION TO ENTER U.S.				
Commitment to Doing Business in The U.S. *	no	no	yes	yes
Desire to Expand Canadian Concept to U.S. *	yes	yes	no	no
Belief in invincibility of Canadian Concept *	yes	yes	no	no
Commitment to succeeding in U.S. market *				
a) Financial resource commitment	no	Some, but board pulled out.	yes	yes
b) Managerial resource commitment	no	Some	yes	n/a
KNOWLEDGE OF U.S. MARKET				
Experience in U.S. market	no	no	yes	no
Researched U.S. market	yes	yes	yes	yes
Attempted to prepare for entry into U.S. market	yes	yes	yes	yes
Collected information from U.S. management *	no	no	yes	yes
Gained knowledge of U.S. market *	no	no	yes	yes
PERCEPTIONS/ASSUMPTIONS OF U.S. MARKET *				
Perceived U.S. market to be same as Canadian *	yes	yes	no	no
Assumed organizations in each of the 2 countries could be managed in the same way *	yes	yes	no	no
DECISIONS MADE FOR U.S.				
Used Canadian strategy for U.S. operation	yes	yes	no	no
Transferred Canadian concept to the U.S.	yes	yes	no	no

* Key factor differentiating effective and ineffective decision making processes.

continued

(continued)

Factors Differentiating Effective and Ineffective Decision Making Processes	Mark's Work Wearhouse	Canadian Tire Corp.	Peoples Jewellers	Grafton Group
Structure for Managing Strategic Decisions for U.S. Operation *	Canadian Mgmt.	Canadian Mgmt.	Combined U.S. & Canadian Mgmt.	Combined U.S. & Canadian Mgmt.
Use of Top Notch U.S. Management Talent who Understood Target Market *	no	no	yes	yes
Successful Mode of Entry *	no	no	yes	yes
Decisions Made Incorporated Pre-Entry Orientation	yes	yes	yes	yes
EXPECTATIONS/GOALS FOR U.S. VENTURE				
High Expectations for U.S. Venture	yes	yes	yes	yes
Specific Goals set for U.S. Operation *	no	no	yes	yes
RESULTS				
Effectiveness of Initial decisions	no	no	yes	yes
Experienced Culture Shock	yes	yes	no	no
Accurate View of U.S. market *	no	no	yes	yes
Subsequent Decision Incorporated Accurate view of U.S. market	no	no	yes	yes
Learned about U.S. Market *	no	some	yes	yes
Incorporated Learning Into Subsequent Decisions *	no	some	yes	yes
Successfully Operating In U.S. Market	no	no	yes	yes

* Key factor differentiating effective and ineffective decision making processes.

Figure 27. Across-Company Analysis

Thus, the successful companies were committed to **doing business** in the U.S. The unsuccessful companies were committed to **expanding their Canadian concepts** into the U.S.

In addition, it is important for Canadian retailers to understand that no matter how effective their company's retail concept or formula is in the Canadian market, this concept or formula many not be appropriate for the U.S. market. The decision makers from Work Wearhouse and Canadian Tire believed in the invincibility of their Canadian retail concept or formula. This, combined with their perception of the U.S. as being very similar to Canada, led them to assume that the Canadian retail concept could be expanded into the U.S. market. However, although Peoples Jewellers and the Grafton Group had achieved similar success with their retail concepts in Canada, they did not share this belief of invincibility. Therefore, if a company's management is interested in expanding the Canadian concept, it must not automatically assume that it will be appropriate for the U.S. market. This would require research by those who understand the U.S. retail market, prior to the decision to enter. Believing in the invincibility of the Canadian concept can be very dangerous and costly for Canadian companies.

b) Commitment to Succeeding in the U.S. Market

In addition to expanding into the U.S. market for the right reasons, it is also important that the Canadian top management team members have a strong commitment to entering and succeeding in that market. For this reason, it is important that the decision to enter the U.S. is initiated from within the company as opposed to outside it. Similarly, it is important that the top management team views the decision to enter the U.S. as a priority. It should not be considered secondary to other decisions within the company, nor as one of many similar decisions being made. In the unsuccessful companies, the decision to enter the U.S. market was either initiated from outside the company (as in Work Wearhouse), or it was considered as the easiest of the options available for expansion (as in Canadian Tire) In neither company did it take on the importance that it did in the successful companies. In both of the successful companies, the top management team was very focussed and committed to the U.S. decision from the outset.

However, in order for this commitment to be tangible, the top management team must operationalize its commitment to enter the U.S. market by focusing both the company's financial and managerial resources on this decision. That is, Canadian management must be prepared to devote the time of its top level decision makers and to provide the financial support necessary for the U.S. venture to be successful. In Mark's Work Wearhouse, the time and energy of the two key executives was devoted to the Canadian operation. They spent very little time in the U.S. market. The commitment of financial resources was also difficult, given the difficult position of the Canadian organization, due to its rapid expansion in Canada at the same time.

In Canadian Tire one of the key executives, John Kron, was sent to run the U.S. operation, but he admitted never being fully committed to it. Although he spent three to four days a week in the U.S., he never actually lived there. He did this while maintaining his permanent residence in Canada. In addition, once the U.S. operation had performed poorly in the U.S. market, the CTC Board of Directors began to withdraw its financial support. Indeed, in both MWWH and CTC, the executives admitted that they expected more rapid performance results from their U.S. operations than they would from a similar operation in Canada. This was unrealistic given that the executives commented that the time line to success in the U.S. appearod to be longer than in Canada. This would suggest that Canadian retailers be prepared to commit considerable resources to the U.S. venture.

Finally, the executives interviewed agreed that commitment means, as Mark Blumes of Work Wearhouse stated, "You have to have a passion to be there and to succeed. You have to be willing to put your heart and soul into it." He also commented, "It (the decision to enter the U.S.)

has to be important enough that it means something to you." In addition, John Kron from CTC stated, "If you're going to go down there, you have to go down there for keeps -- 100 percent."

2. ACCURATE PERCEPTIONS AND ASSUMPTIONS ABOUT THE U.S. MARKET

The most important factor differentiating successful and unsuccessful decision making processes for companies doing business in the U.S. market was the accuracy of the top management team's perceptions and assumptions about that market, prior to entry. This aspect of their pre-entry orientation is of utmost importance in the decision making process because it represents the thinking that is in place among the top management team members at the beginning of the decision making process. For this reason, it acts as a base from which all decisions regarding the U.S. venture are made.

For example, the top management team's initial perception of the U.S. market led to assumptions within each company about whether or not they could transfer the Canadian concept to the U.S. market. The initial perceptions also led to the assumptions within each company about how to do business in the U.S. market -- in the same way as in Canada, or in a different way. As a result, the competitive strategy, as well as all of the subsequent strategic decisions related to the U.S. venture were affected by these intitial perceptions and assumptions.

One of the major conclusions from the research concerns the role of cultural differences in the decision making process. The two companies which assumed that the two cultures were similar experienced culture shock when they entered the U.S. market. However, although executives found differences in the attitudes, values and business practices of Canadians and Americans in the retail industry, it was their lack of recognition of these differences, prior to entry, which affected their company's success or failure in the U.S. market. Top management teams which assumed that the the two cultures were the same or similar also assumed that organizations in each of the two countries could be managed in the same way, and made their decisions accordingly. On the other hand, a recognition of these differences led other top management teams to approach the decisions for the U.S. venture from a more appropriate perspective.

In addition, the initial perceptions and assumptions also affected the top management team member's ability to learn once in the U.S. market, as well as any subsequent strategic decisions made. Indeed, the top management team members in both of the unsuccessful companies had difficulty adjusting their initial assumption of similarity, in order to make subsequent strategic decisions that were more appropriate for the U.S. market.

The danger inherent in the above pattern is that misperceptions of the U.S. market drive the remainder of the strategic decision making process. That is, once the decision making process begins with incorrect beliefs, perceptions or assumptions, it is very difficult for it to be effective thereafter. This, in turn, leads a company's top management team to made decisions as they would for the Canadian market, such as collecting the wrong information, choosing the wrong mode of entry, hiring the wrong people, selecting the wrong strategy for the U.S. market, as well as making numerous other decisions which are inappropriate for the U.S. market (i.e. which do not fit with that market).

Therefore, it is crucial that the top management team members of Canadian organizations considering entering the U.S. market recognize that the Canadian and American retail structure and markets are different, in terms of the attitudes, values and business practices of Canadians versus Americans. Secondly, they must realize that as a result of this difference, organizations in each of the two countries cannot be managed in the same way. In general, the more accurate the decision makers' perceptions of the U.S. market are, prior to entry, the greater the chance of success.

One interesting phenomenon had an affect on the accuracy of the top management team's perceptions of the U.S. market in all fo r cases analyzed. This was the strong level of agreement among top management team members with respect to their perceptions of the U.S. market. It seems somewhat peculiar that not one of the top management team members differed in opinion with the others about the U.S. market or about the appropriateness of the Canadian concept for that market. In all four of the companies studied, the initial interest in entering the U.S. market came from the organization's chief executive officer. Although others were involved in the subsequent decisions related to the U.S. venture, the actual decision to enter the U.S. was made by the Chief Executive Officer. The case studies indicate that major strategic decisions may not be made in teams as much as by individuals who then involve others to confirm their decision and/or help them to implement it. They also suggest that there was a tendency within each company for the top management team involved with the U.S. venture to accept and concur with the views of the Chief Executive Officer about the U.S. market, and about the ability of the Canadian organization to enter that market.

This concept has been referred to by Janis (1971) as groupthink. Janis (1982:9) defined groupthink as, "a mode of thinking that people engage in when they are deeply involved in a cohesive in-group, when the members' strivings for a unanimity override their motivation to realistically appraise alternative courses of action." Groupthink is a major threat that affects decision making in some groups. It emerges when group members are highly cohesive, somewhat isolated from events, and pressure to maintain consistent thinking patterns builds within the group.

Because this phenomenon occurred in all four companies, it leads one to conclude that the success or failure of the decision making process is determined by the Chief Executive Officer. If he/she has accurate beliefs, perceptions, and assumptions about the Canadian concept and about the U.S. market, then the decision making process will most likely be effective for the U.S. market. Similarly, the opposite is true. To avoid this phenomenon, companies should attempt to encourage executive team members to question the views and decisions of their superiors to ensure that effective decisions are made. They should also recognize the danger involved in one person making a decision with such important ramifications. To overcome this, companies thinking about entering the U.S. market should ensure that there are a sufficient number of executives involved in the decision to increase the probability of its effectiveness. It is beneficial if the group has varied backgrounds to ensure a variety of perspectives are brought to bear. Other methods for overcoming this problem, as well as groupthink are discussed in the final chapter as part of the recommendations.

It is also interesting to note that, in the companies that were unsuccessful in the U.S. market, not one of the top management team members questioned his initial assumptions when the evidence (poor performance) indicated that there was a problem. Perhaps the team members actually believed that their initial perceptions and assumptions were correct. Or, perhaps there was a strong sense within the team to not question each other's assumptions. In any case, this lack of questioning of the team's initial perceptions and assumptions prevented the companies from learning about the U.S. market. Argyris and Schon (1978) refer to this questioning of one's initial assumptions on which decisions were based as double-loop learning. They point out that most decision makers have little difficulty with single-loop learning -- that is, with adjusting their decisions in response to feedback from their environment. However, decision makers have considerable difficulty with double-loop learning -- adjusting the initial assumptions upon which their decisions are based. This analysis suggests that perhaps part of the reason why double-loop learning does not take place more readily has to do with groupthink. Thus, for the decision making process to be effective, it should encourage and reward those for questioning and revising their thinking to make it more appropriate and to ensure continued learning.

This leads to the following propositions:

The pre-entry orientation of a Canadian company's top management team toward the U.S. market will strongly influence its strategic decision making process with respect to entering that market.

Companies with decision making teams with accurate perceptions of the U.S. target retail market will be more successful than companies with decision making teams with inaccurate perceptions.

The more accurate the decision making teams' perceptions of the U.S. target retail market, the more successful the strategic decision making process (as well as the decisions made).

3. UNDERSTANDING THE U.S. TARGET RETAIL MARKET

Although recognizing that the Canadian and U.S. retail markets are different is the first step toward a successful decision making process, it is not sufficient for companies wanting to succeed in the U.S. market. The Canadian top management team must also understand what the differences between the U.S. and Canadian markets are. There are basically three ways top management teams can learn about the U.S. retail market. One is through direct experience in that market, as in the Peoples Jewellers case, when its top management team learned from the company's first experience in the U.S. market. However, experience in the U.S. market does not always lead to an understanding of it, as is evidenced in the Mark's Work Wearhouse case. In addition, directly experiencing the U.S. market could take a great deal of time and resources. Therefore, the second alternative for gaining knowledge seems more appropriate. This involves gathering information about the U.S. market prior to entry.

However, all four of the companies studied gathered information about the U.S. market, but only two of the four companies gained knowledge and an understanding of it. In Mark's Work Wearhouse and Canadian Tire Corporation, the information gathered prior to entry did not provide either company with any better understanding or knowledge of the U.S. market. Both companies hired consultants to help them learn about the U.S. market. However, the consultants did not understand the Canadian concept and/or the U.S. retail market. Therefore, the research conducted was either not designed to ask the right questions and/or the results were misinterpreted, since much of the information obtained was interpreted from a Canadian perspective, or frame of reference. Consequently, the results were discounted and were never incorporated into the companies' strategic decision making processes for the U.S. venture. Unfortunately, the misinterpretation of the results was incorporated.

In Peoples Jewellers and the Grafton Group, a detailed financial analysis of the company being considered for acquisition was completed. However, other information about the company and the U.S. retail market was collected in a very different way than in the other two companies. Information was collected and knowledge gained through the American management of the U.S. operation. This represents the third way in which executives can gain knowledge about the U.S. market. As mentioned below, this represents the most effective way to learn about the U.S. market.

Therefore, from the across-case analysis, it is clear that information about the U.S. market cannot be equated with knowledge of that market. The act of collecting information on the U.S. market alone does not improve a company's understanding of the U.S. market, unless those involved in designing and interpreting the research have had experience in the U.S. target retail market.

Thus, a conclusion is that Canadian companies interested in doing business in the U.S. market, which do not have knowledge of that market, should hire U.S. management talent with experience in the target retail market. The executives in all four companies agreed that to succeed in the U.S. market, it was critical to employ top notch, American management talent, with an understanding of the U.S. retail market. Even the top management team members at Peoples Jewellers who had personal experience in the U.S. market, felt that it was critical to employ American know-how. This allows the Canadian management to learn about the U.S. market from those who understand it, and who can provide them with the knowledge necessary to compete in that market. American management will understand the type of research necessary and how to interpret it, and they can make decisions for the U.S. operation (or add input to decisions), ensuring that they are appropriate for the U.S. market.

This leads to the following propositions:

Decision makers witn knowledge of the U.S. market will be more successful than companies with decision makers without knowledge of that market.

Gathering information about the U.S. market is not the same thing as gaining knowledge about that market. To gain knowledge, the design of the information gathering process and the interpretation of that information must be undertaken by someone with an understanding of the target retail market.

The best way to accumuiate knowledge of the U.S. market ıs by learning from Americans who have an understanding of the U.S. target retail market.

4. DECISIONS MADE FOR THE U.S. OPERATION

Eq‹ .lly important in the decision making process is that top management team members incorporate accurate information about the U.S. market into each of their strategic decisions related to the U.S. venture. The best way to ensure that this occurs is to design an appropriate decision making structure.

a) Structure For Managing U.S. Decisions

It appears that the ideal structure for handling U.S. decisions involves a combination of both Canadian and American management. Within this structure, the case studies suggest that to successfully do business in the U.S., it is necessary to have American management, experienced in the U.S. operation's target retail market, making the day-to-day operating decisions for the U.S.

company. It is also important that they have substantial input into the strategic decisions made for the U.S. venture. This will ensure that the decisions made are appropriate for the U.S. market.

However, it should be noted that this conclusion does not preclude Canadian management from making decisions for the U.S. operation. Rather, the decisions must be made incorporating accurate knowledge of the U.S. market. In fact, it appears that the best structure for U.S. decisions includes a combination of American and Canadian management. In both the successful companies, the Canadian organization ensured that very talented U.S. management was in place within the U.S. operation prior to acquiring it, and each felt that this was key to their success in the U.S. market. However, in both cases the Canadian management maintained control of the U.S. operation.

For example, in Peoples Jewellers, Irving Gerstein and Charles Gill, the two key executives from the Canadian organization, determined the strategic direction of the U.S. operation with the input of the American management team. As Gerstein stated, the Canadian executives developed the framework within which decisions would be made and managed the decision making **process**, the American executives managed the business decisions within that overall framework. Similarly, in the Grafton Group, the Canadian CEO was involved in the major strategic decisions made for the U.S. operation. In both of the successful companies, all major strategic decisions for the U.S. company had to be approved by the Canadian Board of Directors. This allowed for American knowledge of the U.S. retail market, and at the same time, the control over decisions made by the Canadian management. In addition to achieving integration and control of the U.S. operation, Canadian management can offer a fresh perspective. This further ensures that the decisions made for the U.S. venture will be sound ones.

This led to the following conclusion:

Companies which had top American managers with experience in, and an understanding of, the U.S. market, among the top management team members making strategic decisions for the U.S. operation, were more successful than companies which did not.

and the following proposition:

If the strategic decisions for the U.S. operation are made by managers, with knowledge of the U.S. operation's target retail market, then there is a greater likelihood that those decisions will be effective (will "fit") in that market, than if the strategic decisions are made by managers, without knowledge of the U.S. market.

b) Chosen Mode of Entry

The analysis of the four companies indicates that the preferred mode of entry is via acquisition. Furthermore, it appears that Canadian companies who decide to acquire **successful** U.S. companies have a greater chance for success in the U.S. market, than retailers who either establish greenfield operations or acquire unprofitable companies. The reason for this conclusion is that both greenfield operations and the turnaround of an unsuccessful company require a very keen understanding of the U.S. retail market, and the need to overcome barriers to entry, such as establishing relationships with suppliers, and obtaining good locations. In both cases, it is also difficult to attract strong management talent. On the other hand, a successful company in the U.S. is already doing well, which avoids the entry barriers. It is also more likely to have strong management talent. This led to the following conclusion:

Canadian retailers who entered the U.S. market by acquiring a successful U.S. company were more successful than Canadian retailers who either acquired an unsuccessful U.S. company, or set up a greenfield operation.

and the following proposition:

The preferred mode of entry into the U.S. market is via acquisition of a successful U.S. company.

5. THE IMPORTANCE OF SETTING GOALS FOR THE U.S. OPERATION

The top management teams in all four of the companies studied indicated that they expected their U.S. operation to be successful. However, what differentiated them was whether or not their expectations were developed into specific goals. Although it is important to approach the U.S. market with an optimistic attitude, it is more important that this attitude be operationalized in terms of realistic goals of how to achieve success in the U.S. market and a commitment to achieving them. The across-company analysis also suggests that setting financial goals is very effective.

There are three advantages of setting specific goals prior to entry. First, the process requires the top management team to think through the requirements for success, in terms of the time, money and effort necessary. Provided this is done realistically, it may lead companies to more appropriately decide about whether or not they should enter the U.S. market and, if so, how.

For example, in both Mark's Work Wearhouse and Canadian Tire, the top management teams expected profits for their U.S. operations within a very short period of time -- a shorter period of time than they would expect if they had opened within a new area of Canada. This was unrealistic for the U.S. market. Had specific targets been set in advance, the top management teams would have realized this. They then would have been able to decide whether they wanted to enter the U.S. market and, if so, what specific targets they could hope to achieve. Instead, the poor results led to disappointment which, in turn, affected the commitment in both companies to the U.S. operation.

Moreover, the setting of goals not only forces the decision makers to think through the U.S. decision in more detail, but the process itself can lead to greater commitment to achieving the goals. For example, in Peoples Jewellers, everyone was focused on a very specific, hard, objective goal of $100 million in earnings before interest and taxes. They knew they had to achieve this for the operation to be successful. Because they were involved in the process of setting this goal, and their earnings were tied to it, everyone became committed to its accomplishment.

The third major advantage to setting goals for the U.S. operation, is that they provide a standard for measuring how the operation is doing. When people know what they are aiming toward, they can more easily monitor their progress, or lack thereof. Without any specific goals, it is very difficult to assess where the company should be. If specific goals are set, people understand when they are off track -- the distance from the target acts as a signal pointing to problems. For example, in Mark's Work Wearhouse, there were no specific goals or targets for the U.S. operation. There was no one with a bottom-line focus. As a result, no one knew how much the company had lost, until they exited from the market, declaring bankruptcy. There were no built-in signals along the way suggesting the magnitude of the problem, or what needed to be changed.

Thus, the following conclusion can be drawn:

Companies with top management teams which set specific, but realistic goals for the U.S. operation, during the pre-entry decision making process, were more successful than companies with top management teams which did not.

6. ABILITY TO LEARN ABOUT THE U.S. MARKET

The final factor differentiating successful and unsuccessful decision making processes was the ability of the Canadian retail companies to learn about the U.S. market. When discussing the importance of having accurate perceptions about the U.S. market prior to entry, it was suggested that these perceptions influence a variety of decisions related to the U.S. venture, as well as the remainder of the decision making process. Therefore, if the pre-entry perceptions are inaccurate, and if no learning takes place, the chances of the decision making process being effective are negligible. However, what was not discussed was the ability of Canadian companies to learn about the U.S. market while operating in it. The case studies suggest that this is one final factor contributing to effective decision making processes for the U.S. market, provided that the learning is incorporated into the subsequent decisions made for the U.S. market.

This ability to learn partially accounted for the difference between Canadian Tire's experience in the U.S. market and Mark's Work Wearhouse's. Although both companies were forced to withdraw from the U.S. market, the top management team members at Canadian Tire had learned about the importance of specialization in the U.S. market and had begun to incorporate this learning into their decisions regarding the U.S. operation. The executives at Mark's Work Wearhouse, on the other hand, were unable to learn about the U.S. market while operating in it. However, it is important to note that even if companies have the ability to learn while in the U.S. market, it is very difficult to change their decisions with respect to the U.S. venture, as the Canadian Tire case illustrates. In Canadian Tire, store sizes were generally too large and the product mix was inappropriate for the new strategy specializing in automative parts and service. Changing these key factors was very difficult to do. Although the product line could be changed over time, stores could not be sold and new ones purchased. Also, the competitive intensity of the U.S. market does not permit much time for companies to learn about the U.S. market and make such changes. Once in the U.S. market, companies are forced to focus on surviving the market, as opposed to learning about it. For this reason, it appears unlikely that the ability to learn will allow a company to successfully turnaround ineffective decisions, based on inaccurate perceptions of the U.S. market. However, for the chance to exist, it is vital that learning take place as early in the decision making process as possible to most quickly incorporate this learning into the decisions made for the U.S. venture.

The ability to learn also could affect companies that are operating successfully in the U.S. market. Because conditions are always changing, it is imperative that companies continue to learn about the U.S. market, and to incorporate this learning into the decision making process. Understanding the U.S. market is an ongoing process. Therefore, the more effectively companies learn, the more likely they are to continue successfully operating in the U.S. market.

Figure 28 summarizes the above analysis and presents the findings in a model outlining the stages of an effective decision making process for Canadian companies entering the U.S. market. What is particularly interesting about the across-company analysis is the importance of the decision making process and the decisions made **prior** to entry. The analysis suggests that if the pre-entry decision making process, and the decisions made during this process, are appropriate for entering the U.S. market, the chances for success in the U.S. market are enhanced. On the other hand, if they are inappropriate, the chances for success are greatly hindered. However, to allow for the possibility of learning once in the market and this learning being incorporated into subsequent decisions for the U.S. venture, this factor is included along with a feedback loop, indicating how the ability to learn could affect the other factors involved to improve the effectiveness of the decision making process.

The across-company analysis continues in the following chapter, which analyzes the cultural differences found among the top management team members and discusses the role of culture in the performance of Canadian retail firms in the U.S. market.

FIGURE 28 - STAGES INVOLVED IN EFFECTIVE DECISION MAKING PROCESSES

1. ACCURATE PERCEPTIONS AND ASSUMPTIONS ABOUT U.S. MARKET

RECOGNIZE THAT:

a) Canadian and U.S. retail markets are very different in terms of attitudes, values and business practices

b) Organizations in the U.S. must be managed differently than in Canada

2. DECISION TO ENTER U.S. MARKET

SHOULD BE:

a) A desire to do business in the U.S. market versus expand the Canadian concept

b) Initiated from within the company

c) Made by a team with varied backgrounds who are encouraged to critically analyze the decision

RECOGNIZE THAT:

Canadian concept and ways of doing business may be inappropriate for U.S. market. Canadian concept is not invincible.

Canadian top executive team must have strong desire to enter and succeed in U.S. market.

Canadian top executive team must view decision to enter as major strategic decision and must be focused and committed to it.

3. INCREASE UNDERSTANDING OF U.S. OPERATION AND U.S. TARGET RETAIL MARKET

	a)	Acquire or Hire Top Notch U.S. management talent with knowledge and understanding of U.S. operation and/or target retail market. Learn from U.S. management talent
	b)	Research conducted must be designed and interpreted with those with experience in, and an understanding of, U.S. retail market.

4. DECISIONS MADE FOR U.S. OPERATION

OVERALL		Must be incorporated knowledge of U.S. market so that they fit with that market (i.e. strategy chosen must be appropriated for U.S. market, as well as all other decisions made for U.S. operation)
DECISION MAKING STRUCTURE	a)	Day-to-day decisions should be made by (or significant input from) Americans with experience in and knowledge of U.S. retail market
	b)	Strategic and other decisions should be made by (i) Canadian and Americans jointly, (ii) by Canadian with significant input from Americans or (iii) by Americans and approved by Canadians
CHOOSE MODE OF OF ENTRY		Preferred mode of entry is via successful acquisition

5. SET GOALS FOR U.S. OPERATION

Set specific, realistic goals for U.S. operation. Financial goals are useful.

INITIAL PERFORMANCE IN U.S. MARKET

6. ABILITY TO LEARN ABOUT U.S. MARKET WHILE OPERATING IN IT

Feeds back into perception, assumptions and knowledge of U.S. market. Must be accurate, and must be incorporated into decisions for U.S. venture as quickly as possible for survival/success in U.S. market to be possible.

SUBSEQUENT STRATEGIC DECISIONS

EFFECTIVENESS OF DECISIONS IN U.S. MARKET/PERFORMANCE

Figure 28. Stages Involved in Effective Decision Making Process

FIGURE 29

SUMMARY OF EACH COMPANY'S EXPERIENCE IN THE U.S.

Code: MWWH = Mark's Work Wearhouse
CTC = Canadian Tire Corporation
PJ = Peoples Jewellers
GG = Grafton Group

I. PRE-ENTRY

1. DECISION TO ENTER THE U.S. MARKET

MWWH: U.S. was not the focus of expansion/Canada was.
Decision was not planned or thought through.
Viewed as insignificant and experimental.
Treated as another regional opening.
Management was not committed to making it successful.

CTC: U.S. was one option considered for expansion.
Decision was not planned or thought through.
Viewed as the option management knew best.
Decision makers not fully committed to making U.S. operation successful.

PJ: Focused on U.S. market for expansion.
Viewed as a major strategic decision.
Was carefully planned and thought through.
All those involved were fully committed to making the U.S. decision successful.

GG: Focused on U.S. market as only option for expansion.
Viewed as a major strategic decision.
Was carefully planned and thought through.
All of top executive team was committed to making U.S. decision successful.

2. PRE-ENTRY ORIENTATION OF THE TOP EXECUTIVE TEAM

a) Experience in/knowledge of the U.S. Market

MWWH: Top executive team had no previous business experience in, or knowledge of, U.S. market.

CTC: Top executive team had no previous business experience in, or knowledge of, U.S. market.

PJ: Top executive team had gained experience in, and knowledge of, U.S. market, from first entry into U.S. in 1978, and by sitting on Zale Board of Directors.

GG: Top executive team did not have business experience in U.S. market, but stated they had knowledge of Canada/U.S. differences.

b) Perception and Assumptions about U.S. Market

MWWH: Top executive team perceived the U.S. market to be the same as the Canadian, only bigger. Top executive team assumed that organizations in each of the two countries could be managed in the same way.

CTC: Top executive team perceived the U.S. market to be very similar to the Canadian.
Top executive team assumed that organizations in each of the two countries could be managed in the same way.

PJ: Top executive team perceived the Canadian and U.S. retail markets to be different.
Top executive team assumed that organizations in each of the two countries had to be managed differently.

GG: Top executive team perceived huge differences between the U.S. and Canadian retail markets.
Top executive team assumed that organizations in each of the two countries had to be managed differently.

3. PRE-ENTRY STRATEGIC DECISIONS MADE

a) Preparation

(i) Mode of Entry

MWWH: Top executive team decided to set up greenfield operation because this is what was done in Canada. U.S. operation was viewed as another regional opening.

CTC: Top executive team decided to acquire a company, to allow them to do the same in the U.S. as had been done in Canada.

PJ: Top executive team recognized from first experience in the U.S. that greenfield operations were too difficult. Therefore, decided to acquire.

GG: Top executive team's perception of differences led them to decide that a greenfield operation would be too difficult. Therefore, decided to acquire a company that was operating successfully within the U.S. environment.

(ii) Preparation

MWWH: Spent two months preparing to open in the U.S. Established criteria for U.S. sites and locations that were the same as in Canada.

CTC: Began searching for acquisition candidate one year prior to year of planned entry, but spent only three months researching market, prior to entry. Criteria for acquisition were the same as in Canada.

PJ: Spent four years on Zale Board of Directors and Zale audit term, gathering information, prior to takeover. Spent several months, with the aid of investment bank, analyzing financial of Zale.

GG: Searched for successful acquisition candidate, with growth potential. No time limit for search. Spent one year analyzing potential candidates, before finding the best one.

b) Information Sought

MWWH: Within nine cities analyzed: competition, population s· ·eys, work force studies, growth trends. Information found was interpreted from a Canadian frame of reference. Information was not incorporated into strategic decision making process.

CTC: Limited amount of market research undertaken, prior to entry. Included demographic studies and some competitive analysis. Information found was interpreted from a Canadian frame of reference, and was not incorporated into strategic decision making process re: U.S. venture.

PJ: Information was gathered on Zale Corporation - how it operated, its key management, its competitive environment. A complete financial analysis was undertaken. Info also gathered from American executives about company and about U.S. jewelry market. Information gathered was incorporated into the strategic decisions made regarding the U.S. operation.

GG: Top executive team spent six months thoroughly examining Seifert's as a potential acquisition. Extensive financial analysis was performed. Full analysis of the company's stores, location markets, and its management talent. Information gathered incorporated into strategic decision to acquire, and other decisions related to U.S.

c) Expectations/Goals For the U.S. Market

MWWH: High expectations for U.S. operation, but no specific goals set. Therefore, no one committed to their achievement.

CTC: Expected U.S. operation to expand in 1985, but no specific goals set.

PJ: EBIT figure of $100 million was set for Zale's first year of operation. Bonuses were attached to its achievement. Therefore, there was a great deal of commitment to the goal.

GG: The top management team of the U.S. operation developed a detailed 3 year plan, for the company's continued growth and expansion.

II. ENTRY

1. STRATEGIC DECISIONS MADE FOR ENTRY

MWWH: Strategy for U.S. operation developed by Canadian top management team. Attempted to transfer Canadian strategy/concept to U.S. market. Were never able to transfer Canadian key success factors.

CTC: Strategy for U.S. operation developed by Canadian top executive team. Attempted to reproduce Canadian Tire retail formula in the U.S. market. Were never able to reproduce Canadian key success factors.

PJ: Strategy for the U.S. operation was developed from the input of the Zale top executive team. It was developed separate from the Canadian strategy. Worked with strategy in place at Zale, and made it better by capitalizing on the U.S. company's strengths.

GG: The strategy for the U.S. operation was developed by the American top executive team. It was totally separate from the Canadian organization's. Canadian top executive team allowed U.S. top executive team to continue with its planned strategy.

2. STRATEGY FOR MANAGING U.S. DECISIONS

MWWH: Canadian top executive team made strategic and other decisions for the U.S. operation in Canada. Day-to-day decisions were made by low level Canadian manager and Craig Fetzer, who knew very little about MWWH or about U.S. retail market.

CTC: Canadian President of U.S. operation made decisions with the input from President of Canadian operation. All strategic decisions required approval from Canadian B of Directors. Sent several lower level Canadian management to U.S. to run day-to-day operation.

PJ: Decisions were made by four senior executives of U.S. operation, within decision making framework established by President of Canadian operation.

GG: Decisions for the U.S. operation were made by U.S. top executive. Major decisions were approved by Canadian B of D's. A great deal of autonomy granted to American management team.

3. EFFECTIVENESS (PERFORMANCE) OF INITIAL DECISIONS MADE

MWWH: U.S. operation was performing poorly.

CTC: U.S. operation had much greater losses than expected.

PJ: U.S. operation achieved 115 percent of its performance objective.

GG: U.S. organization continued to perform profitably.

4. ENTRY ORIENTATION OF TOP EXECUTIVE TEAM

MWWH: Canadian top executive team felt shocked by, and unprepared for, the U S. market.

CTC: Canadian top executive team felt shocked by, and unprepared for the U.S. market.

PJ: Canadian top executive team found themselves prepared for U.S. market.

GG: Canadian top executive team felt prepared for U.S. market.

5. SUBSEQUENT STRATEGIC DECISIONS MADE

MWWH: Top executive team had to make alternate decisions to improve the performance of the U.S. operation. Blocked by their initial perceptions and assumptions of the U.S. market, the top executive team had difficulty learning about, and adjusting to, that market. As a result, subsequent strategic decisions were made based on initial assumption that the Canadian concept could work in the U.S.. Therefore, these decisions were also inappropriate for the U.S. market. When the U.S. operation continued to lose substantial sums of money, the top executive team further revised their decisions. Although they never questioned initial assumptions that the MWWH concept could work in the U.S., they did realize that they needed help when they hired Garf Bryson. At this point, however, it was too late.

CTC: Same as in MWWH. It was not until U.S. operation lost $55 million, and there was a great deal of internal pressure from the Canadian Board of Directors, that the top executive team began to change its initial assumptions, and reposition White's to fit with the U.S. market.

PJ: Initial decisions were effective, therefore, subsequent strategic decisions were made in accordance with the original strategy laid out for the U.S. organization. Were able to concentrate implementing strategic decisions and competing in the U.S. market.

GG: Initial decisions were effective, therefore, Seifert's top executive team continued to make subsequent decisions in accordance with strategic plan.

III. POST-ENTRY

MWWH:	Withdrew from the U.S. market without a clear understanding of it. Orientation toward U.S. market had changed dramatically fron. pre-entry phase. Although had experienced U.S. market, were still confused at time of exit.
CTC:	Withdrew from the U.S. n[illegible]t with a much better understanding of it. Orientatio[illegible]ward U.S. market had changed dramatically from pre-entry phase. Before exiting, decisions made appeared to be more appropriate.
PJ:	Continuing to operate effectively in the U.S. market. Canadian top executive team continuing to improve its understanding of the U.S. market.
GG:	Continuing to operate effectively in the U.S. market. Canadian top executive team continuing to improve its understanding of that market.

Figure 29. Summary of Each Company's Experience in the U.S.

CHAPTER 9 - EXECUTIVES' PERCEPTIONS OF CULTURAL DIFFERENCES

One of the major objectives of Phase I of the research was to learn whether the executives interviewed perceived any cultural differences between the U.S. and Canada. In addition, the purpose was to determine whether this difference affected their success or failure in that market. In Chapters 6 and 7, the executives' comments on cultural differences were discussed as part of the entry orientation in each company's strategic decision making process. As indicated in each of the four cases, the executives in each company found there to be several differences between Canadian and American attitudes, values and behaviors, that affected doing business in the U.S. retail market. The purpose of this chapter is to analyze the cultural differences found between the Canadian and U.S. retail markets in more detail, and to discuss how these differences affected the ways of doing business in the U.S. retail market.

However, before presenting the findings, it is important to point out that, for the most part, the executives across all four companies agreed on the cultural differences between the U.S. and Canada in the retail industry. Moreover, when the executives' comments were analyzed, there were no major differences between executives' comments from the companies that had been unsuccessful in the U.S. market and those from the companies that had been successful. The major difference between the two groups was in the point at which they identified that the differences existed. The main problem for the two companies that were unsuccessful in the U.S. market was that their executives perceived there to be no difference between the two countries prior to entry. As a result, they were shocked when they discovered the differences and found themselves unprepared for the U.S. market. Unfortunately, once they recognized the obvious differences in the two cultures, they made the additional mistake of continuing to assume they could operate in the U.S. market as they had in Canada. They did not realize in time that the differences affected the structure of the retail market, as well as the ways in which business was conducted. Consequently, they did not adjust to the U.S. market and were forced to withdraw from it. On the other hand, the two companies that were successful in the U.S. market recognized that there were differences prior to entry. Therefore, they incorporated their knowledge of these differences into their strategic decisions for the U.S. market.

Thus, one of the most important conclusions from Phase 1 of the research concerns the effect of culture on the performance of Canadian companies doing business in the U.S. market. The conclusion is that although cultural differences do exist between the two countries, they alone are not the reason Canadian retail companies fail in the U.S. market. Rather, it is the lack of recognition of those differences, prior to entry, that contributes to failure. The cultural differences between the U.S. and Canada could be managed provided companies recognize that they exist, learn what they are and how they affect business practices, and incorporate these differences into the strategic decisions related to the U.S. venture.

Although the above conclusion is very useful, it is also extremely interesting to think about why the top management team members from some Canadian companies recognize there are differences while others do not. In three of the four companies analyzed, the top management teams made the above error in not recognizing that the two countries were different. This includes Peoples Jewellers since they too made this error the first time they entered the U.S. market. The one obvious reason for the differences has to do with knowledge of the U.S. market, gained either through direct experience, or through the use of U.S. executives.

A futher rationale involves the hidden effect of culture on one's attitudes, values and behaviors. That is, the culture in which the Canadian top executives resided strongly influenced their business attitudes, values and practices. The executives from the unsuccessful companies, not recognizing the effect of the Canadian culture on their ways of doing business, automatically assumed that doing business in the U.S. was the same. This response is referred to by Adler

(1986) as parochial. Managers, "do not recognize cultural diversity or its impact on the organization." When organizations assume the impact of cultural to be negligible, they ignore it in their strategies. "This strategy precludes the effective management of diversity" (Adler, 1986:87). This response is very common and natural for organizations approaching many international countries. Therefore, it is particularly easy to understand how this response would prevail among Canadian companies doing business in the U.S., when the two countries are often viewed as one North American market.

Another possible explanation for the findings is that the top management team members responded in an ethnocentric way. With this response, members recognize diversity, but believe that their way is the best way. This could explain the Mark's Work Wearhouse and Canadian Tire Corporation cases since each company believed that there way was the best way and that it would therefore work anywhere. The first experience of Peoples Jewellers could also fit into this rationale. By forcing the Canadian way onto the American operation, these Canadian organizations precluded the possibility of benefiting from the U.S. culture. This was referred to as a belief in invincibility in the previous chapter.

Whether the response is parochial or ethnocentric, the executives from the unsuccessful companies were bound by their Canadian culture and frame of reference, which prevented them from adjusting to the U.S. culture and ways of doing business. In companies such as the Grafton Group and Peoples Jewellers, Adler describes the approach as synergistic -- executives believe that "our way and their way differ, but neither is inherently superior to the other." They believe that a combination of the two produces the best results. Furthermore, "synergistic organizations train their members to recognize cultural differences and to use those differences to create advantages for the organization" (Adler, 1986:87). An example of synergism occurred when Peoples Jewellers recognized the role of credit in the U.S. and quickly responded by promoting their '$2,000 in 20 minutes' policy in Zale stores.

However, the executives from Work Wearhouse, Canadian Tire, and in Peoples Jewellers the first time, all assumed that the U.S. market was similar to the Canadian. This "projected similarity" (Adler, 1986) in turn affected the decision making process within each company. Similarly, in Peoples Jewellers' second experience, as well as in the Grafton Group's experience in the U.S. market, a projected dissimilarity was incorporated into the decision making process.

DEVELOPING A MODEL

In Figure 9 in Chapter 4, a conceptual model was proposed which attempted to represent the theory behind managing successfully in another culture. The basic premise of the theoretical model was that the culture a manager lives in affects his/her attitudes and values. These attitudes and values, in turn, affect a manager's business behaviors and practices, including his/her strategic decision making behaviors. The strategic decisions made, in turn, affect the performance of the organization. This model was proposed to exist in all cultures. That is, different cultures were believed to produce different managerial values and business practices. Therefore, the model suggested that when doing business in another country or culture, it is important to recognize these differences. Indeed, this recognition was identified as a prerequisite to successfully managing in another culture.

The results from Phase 1 of the research support this model. However, with respect to Canadian retailers doing business in the United States market, the model was slightly modified and presented in Figure 30.

The model suggests the following. The United States and Canada are viewed as two separate cultures. Therefore, each culture affects the attitudes, values and business behaviors of the managers within that culture. The performance of a Canadian retail company in the U.S. market is determined by the effectiveness of its top management team's strategic decision making process, and the subsequent decisions made for that market. That is, it is affected by how well

FIGURE 30

SPECIFIC MODEL FOR CANADIAN RETAILERS

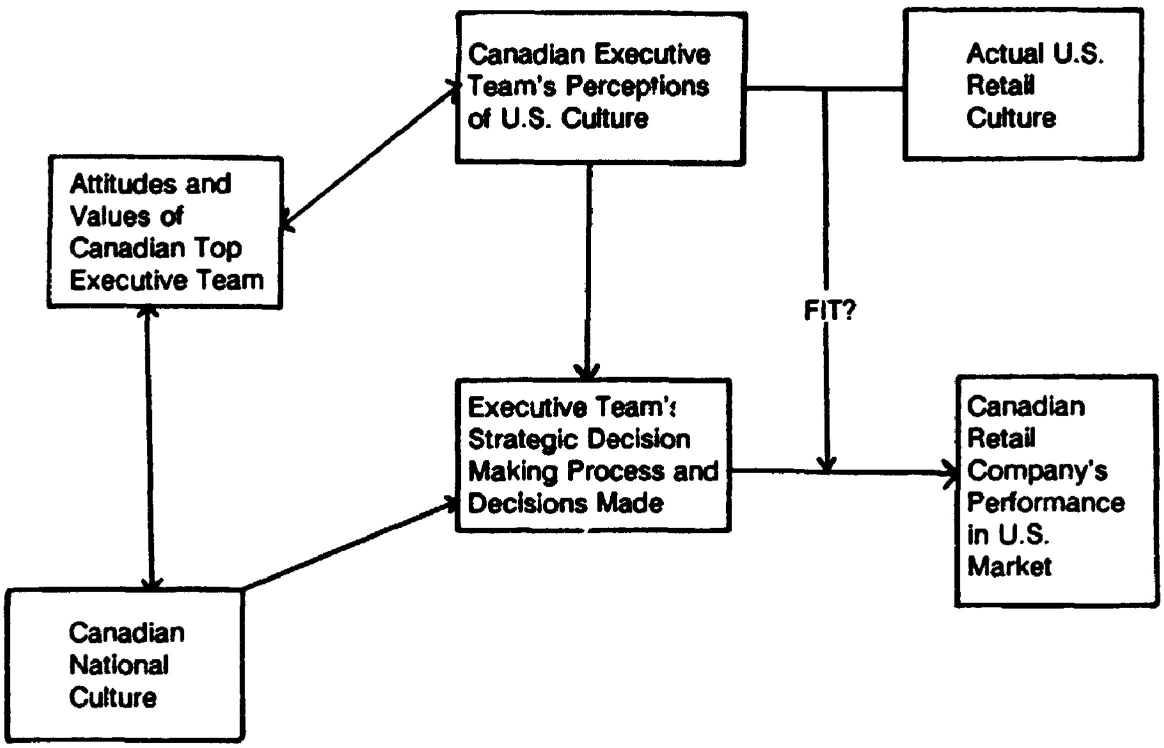

Figure 30. Specific Model for Canadian Retailers

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the firm's strategy fits with the U.S. market. This, in turn, is affected by the top management team's understanding of the environment the organization is operating in.

When managers make decisions, they are bound by what they know and understand about the environment. This is incorporated into their strategic decisions made to operate in that market.

However, what managers think they know and understand often depends upon their perceptions. These perceptions may or may not be accurate, yet they still influence decision making.

Thus, the model predicts that the more accurate the firm's management's perceptions of the U.S. retail culture are, the more successful its decision making process (and the decisions made) will be, which incorporates these perceptions. Therefore, if there is a difference in the Canadian and U.S. retail business cultures, companies with top management teams which recognize this difference as part of the environment and deal with it (take it into account in their strategic decisions regarding the U.S.), will be more successful than companies with top management teams which do not recognize or deal with the cultural difference. If there are no cultural differences, their perception of a difference could still affect performance (i.e. incorporating an inaccurate perception of the U.S. into strategic decision making could make top management teams do things in a way they should not).

CULTURAL DIFFERENCES

Although recognition is the key to managing the cultural differences between Canada and the U.S., it is also useful for Canadian retailers to understand what these differences are. A list of the major cultural differences between Canada and the U.S. cited by the executives who experienced the two markets is presented in Figure 31. Although some of the differences in Figure 31 were identified in the literature review comparing the two cultures, the executives' comments were useful in identifying additional cultural differences which were perhaps more particular to the business sector. Many of these differences were incorporated into the questionnaire measuring cultural differences in Phase 2 of the research, to make it more appropriate for measuring the retail business cultures in Canada and the U.S.

FIGURE 31

EXECUTIVE PERCEPTIONS OF CULTURAL DIFFERENCES

The following characteristics were found to be more descriptive of Americans than Canadians:

- Aggressiveness
- Competitiveness
- Winning Attitude
- Risk Taking
- Capitalistic/Entrepreneurial/Free Enterprising
- Desire For Control Over Own Lives (Master of Own Destiny)
- Hard Working/Service Orientation
- Individualistic
- Propensity to Spend
- Anti-Union
- Action Oriented

Figure 31. Executive Perceptions of Cultural Differences

The executives from the four case studies also concurred that the cultural differences between Canadians and Americans were noticable in the behaviors and business practices of Americans. Indeed, there were five major areas in which cultural differences were obvious (1). These areas were the following:

1. Employee and management attitudes, values and behaviors
2. Consumer attitudes, values and behaviors
3. Relationships - with suppliers, customers, other business persons and employees
4. Regional Differences
5. Competition

Each of these areas will now be discussed. Where appropriate, comments made by executives during the two conferences attended (concerning doing business in the United States) will be used to corroborate the findings in this study (2).

1. EMPLOYEE/MANAGEMENT ATTITUDES VALUES AND BEHAVIORS

Several comments from the top management team members centred around the differences between U.S. and Canadian employees at all levels, including management, in the retail industry. The differences in employee attitudes, values and behaviors will be discussed first, with management differences following.

Employees

Desire For Independence

U.S. employees were described as possessing a greater desire for independence than Canadian employees. The attitude of "I have responsibility for this area, and I will make the decisions" prevailed among employees in the U.S. In addition, there appeared to be less consensus management in the U.S. retail organizations, and less desire among U.S. employees to be a part of the overall decision making process. One of the businessmen interviewed stated, "Americans like to be in charge of their own destinies - to make their own things happen. There's much more of this than in Canada." American employees were also found to be much less interested in unions than Canadian employees. Unions represent a means by which employees can increase their strength or voice by banding collectively. However, the attitude among U.S. employees is that they have more to gain by doing well themselves than in a group.

These findings tie in with the individualism concept discussed in the literature review. In the U.S. individual rather than collective achievement is the focus. Each individual is responsible for his or her own success or failure. Furthermore, the absence of a labour party or a strong union movement in the U.S. has meant that few Americans see themselves as belonging to a class. This would conflict with the egalitarian concept guiding the American culture, which suggests that individuals will have an equal opportunity to get ahead, and that advancement is based on merit.

Orientation Toward Work

U.S. employees were found to be very hard working, and much more conscientious about productivity. Several of the executives interviewed found a significant difference in the level of service provided by American employees as compared to Canadian employees. Mark Blumes, the CEO and founder of Mark's Work Wearhouse stated, "They provide excellent service...because they know if they don't provide it, they won't have a job, and without a job, they don't eat." The employees in the U.S. were also perceived as being more aggressive. One CEO commented, "The average U.S. businessman is very different. The necessity to survive in the U.S. breeds an aggressivenss in him. We are all products of our markets. In Canada, we have national retailers, which control the bulk of the market, so we don't need to be as aggressive. In the U.S., there are very few national retailers. This affects their behavior ... dramatically." Another CEO stated, "The Canadian market is very highly concentrated. In the U.S. there are so many people, and so many niches in the market, they have to be more aggressive." In addition, William Heaslip (CEO, Grafton Group) said, "We have girls down there who are working in the stores, making $60,000 to $70,000 per year. They get all dolled up, go to work, and go to it. They are very aggressive, friendly, and 'after the sale'... and they get it! I just wish we could get some of their type up here in Canada."

With respect to doing business in the United States, the general advice can be summed up in a comment from Craig Fetzer, V.P. Marketing at Mark's Work Warehouse, "If you want to go down there and compete, you have got to take on that aggressive attitude...because everyone else has it."

Reward Expectations

American employees' strong positive orientation toward work, creates an expectation that they will be rewarded based on merit. Since they work more independently and in a way to further themselves individually, the types of reward systems are different in the U.S. retail industry. Incentives appear to be key to managing U.S. employees. Incentives create an atmosphere in which each employee has an equal opportunity to further him/herself, depending on amount of time and effort expended. This is interesting in that it ties into the literature discussing the two basic American values governing behavior in the U.S. -- equality and achievement. The business institutions in the U.S. constantly reward individual achievement. American employees learn to aggressively compete for rewards because they know they are based on merit. The connection between performing well and getting ahead appears to be much more well established in the U.S. than in Canada. Therefore, the desire for independence, the strong positive orientation toward work, and the nature of reward expectations found among U.S. employees, relative to Canadian employees, is very consistent with the differences identified in the literature review.

Strong Desire For Advancement

Many of the characteristics discussed so far differentiating Canadian and U.S. employees can be explained by the stronger desire for advancement present in U.S. employees. Charles Gill, at Peoples Jewellers commented, "The average employee in the U.S. is more out for himself than is true in Canada. He's slightly more aggressive, more diligent...And, he has a far greater interest in climbing the corporate ladder...in creating a good impression of himself..." The fact that U.S. employees were found to be more hard working ties into this, as hard work is apt to reap the employee higher rewards, both monetary and otherwise. A strong desire for advancement also explains the greater desire for independence among U.S. employees. Getting ahead usually involves **individual** effort and skills, as opposed to group involvement. Similarly, being involved in a union tends to mean that rewards will be based on seniority, instead of merit, and that the group will benefit as a whole, instead of the individual. Thus, the lack of interest in unions in the U.S., relative to Canadian employees.

While the desire for advancement explains several characteristics differentiating American and Canadian employees, the deeper question is 'What causes this desire to be greater in American employees than Canadian employees?' The answer to this questions draws upon the history of the two countries which created unique ideologies which govern the institutions in each.

Mobility

Canadian executives doing business in the U.S. also found that U.S. employees were much more mobile than their Canadian counterparts. This led to the perception among Canadian company management that U.S. employees were, therefore, less loyal. In Canada, the assumption tends to be that if an employee works very hard and is concerned with productivity, he/she is a loyal employee. In addition, perhaps due to the lack of options within Canada, many employees who are interested in advancement tend to do so within a single organization. Relative to Canada, this is much less true in the U.S. An employee may work hard for a particular company, but at the same time, he/she is more opportunistic. If a better deal becomes available elsewhere, he/she will appear to leave without hesitation. This behavior is perceived by Canadian employers as a lack of employee loyalty. However, in the U.S., these attitudes and behaviors are not viewed this way. Competition for jobs is commonplace and is not taken personally. Employees are responsible for their position in society. They must always act to better themselves, because others do. This creates competition for their own job which is their only means of survival. Therefore, no one sits complacently in one job for too long.

Management

In addition to the above characteristics, U.S. managers were found to be different than Canadian managers in two major ways. First, the level of professionalism was found to be exceptionally different. Mark Blumes summed up the difference with the following statement, "It's simple. Everyone down there was better....To do business again in the United States would mean having people down there who were smarter than we were....We simply weren't good enough." Furthermore, Nick White, commented on the American executives at Zale Corporation compared to the Canadian executives at Peoples Jewellers,

> Generally their skills, their experience sets, are much, much broader -- not only in terms of variety but also in terms of depth of knowledge than what you will find in Canada...In Zale, we have a professional management group who have a high level of management skills in whatever area they are dealing with, as well as skills to manage people and to implement things. Whereas here (in Canada) ...they are good implementors, but they, by circumstances may not have had either the educational background or the depth of experience in a variety of retail backgrounds to bring a broader perspective to the business. But, this is typical of small organizations. The level of professionalism a business has is by virtue of its size.

Several executives discussed the rationale behind the higher level of professionalism in American retail organizations. The common theme behind their statements was the following. In the U.S., there are a much greater number of people who are both highly educated and who have very diverse and strong retail backgrounds. To obtain a top level position in a large U.S. retail company means that you have to be very talented, because there are a much greater number of other people vying for the same position -- many of which have similar characteristics to you. In Canada, there is not nearly the competition for positions within or across retail organizations. And, due to the smaller number of large organizations, retail executives are unable to be subjected to the breadth of experience executives would be in the U.S. market. In addition, as mentioned in the literature review, there is greater access to higher education in the U.S. than there is in Canada. This may also be an important factor, which is culturally based. Because of the Canadian ties to Britain, its educational system has tended to be more similar to Britain's, in terms of both access and curriculum. On the other hand, the U.S. system is not only more accessible, but its curriculum concentrates on technical, vocational and professional skills to further its students in the economic market.

The second major area of difference affecting management in Canada and the United States was a higher performance expectation of U.S. managers. The attitude among the executives interviewed was that if a U.S. manager does not do what he/she says he/she will, he/she is fired. In Canada, it was felt that that would not happen. In the U.S., there is also much less of a security net for people who are dismissed. Peter Widdrington, from Labatt's noted that the severance pay the company gave U.S. employees when they exited from the U.S. market was far beyond what employees expected. Because this was standard practice in Canada, the company management did not think to change the practice in the U.S.

In discussing U.S. executives, Dean Muncaster stated, "They are extraordinarily hard working...very organized, and some of the most effective people I have ever met." Dean Groussman also commented, "The average U.S. business executive is very different. The necessity to survive in the U.S. breeds an aggressiveness not found in Canada." Because of the high performance expectation among management in the U.S., they are far less tolerant of overhead and other expenses, and act very agressively in those areas. The general opinion was that to successfully do business in the United States required that Canadian retail organizations employed U.S. management with such skills.

2. CONSUMERS/CUSTOMERS

The U.S. consumer was found to be different from the Canadian consumer in two major ways. Both have cultural roots. The first difference is that U.S. consumers demand to be treated importantly when they shop. They demand service. If they do not get it, a U.S. retail organization can expect to lose them as a customer. In Canada, consumers are not nearly as demanding. If they do not get the service they would like, they do not have a lot of option to go elsewhere. Much of this has to do with the population difference between the two countries. In the U.S. there are so many competitors, that they have to work harder to keep the customer coming in. One businessman described the difference this way: "Canadians would rather sell one appliance for $2000, than 10 appliances at $200. Americans are just the opposite. They would rather sell the 10 at $200, because they know that by keeping their prices low and competitive, they will get repeat business, which means money for them. And, if they sell 10, they can probably get them at a cheaper price than if they bought only 1. That is the difference in the two cultures."

Secondly, U.S. consumer's buying habits are very different. U.S. consumers have an unbelievable propensity to buy in comparison to Canadian consumers. This has much to do with the underlying value system differentiating the United States and Canada. The saving rate in the United States and Canada is very different. It is much lower in the United States. As Charles Gill stated, "There is much more willingness on the part of the U.S. consumer to spend big money on jewelry -- 'Cash for Flash'. The much lower savings rate in Canada has to do with the fact that Canada is a more risk averse society. In addition to creating a difference in demand, or propensity to buy, this difference in basic values between the two countries, affects how consumers buy. That is, credit is far more integral to the American consumer than the Canadian consumer. As an executive in Peoples noted, "In the U.S., credit sales are much more popular. The concept doesn't go over in Canada."

The way in which consumers shop in the U.S. was also found to be an important factor to consider if planning on doing business in the U.S. In Canada, most consumers will go to the national chain, because they assume that it has the best selection and the best prices. In the U.S., the percentage of national chains is smaller. Consumers do not automatically shop at a national chain. Because of the nature of competition, they will shop at the place that has the best deal. U.S. consumers were found to more actively seek out the best deal, by scrutinizing the ads sent around every week. They do not make the assumption that the national chain has the best prices. Rather, they will shop around much more until they find the best deal. One executive commented, "In the U.S., no one notices you unless you have something different. There is no place for the generalist in the U.S." This is important for Canadian businesses considering doing business in the United States to understand because it affects the type of product line sold, the way the products are marketed, as well as several other business decisions.

The underlying cultural reason for the differences in buying habits are also important for the Canadian businessman to understand. It has to do with the fact that Canadians tend to be more risk averse, and less competitively oriented compared to the United States. These two cultural differences tend to manifest themselves in different behaviors within each country. This, in turn, affects the way in which retail businesses are operated in each country.

3. RELATIONSHIPS

The top executives interviewed also stated that the nature of relationships differed in the U.S. Making the assumption that relationships will be the same in the U.S. can lead to failure. For example, the executives of Mark's Work Wearhouse entered the U.S. assuming that supplier relations would be the same in the U.S. as they had been in Canada. In Canada, Mark's Work Wearhouse had an excellent relationship with its main supplier (Levi's). Work Wearhouse was Levi's largest customer. Yet, in the U.S., Mark's Work Wearhouse was treated very poorly by its suppliers. Mark Blumes, the CEO stated," Down in the U.S. 'money talks'. The bigger you are the better." In general, the executives comments centred around the difficulty of gaining access to suppliers and the necessity of long term relationships to build the necessary rapport. In Canada, there is a tendency to build long term relationships even with inadequacies, because there are not a lot of suppliers. In the U.S., this is not true. If you perform inadequately in the U.S., the relationship is quickly severed. That is true on both sides of the relationship -- buying and selling. In addition, Dick Hunter, from Scott's Hospitality, commented at the conference on "Doing Business in the United States: The Opportunity and the Reality", "In the U.S., shaking hands on a deal is not enough. In Canada, it is. In the U.S., you must sign. The business practices are very different in the U.S." This perceived problem with supplier relations led most executives to conclude that it is best when doing business in the U.S. if companies can acquire the established relationships with U.S. suppliers.

4. REGIONAL DIFFERENCES

Relative to Canada, executives generally found much larger regional differences in the U.S.. There were especially large East/West differences in the United States. In Canada, there was considered to be a more homogeneous, accepted value system politically, economically, and socially. Therefore, doing business in the United States was found to be much more difficult, given this heterogeneity. Doing business in the U.S. requires knowledge of each individual region, because the differences between them can be very large.

5. COMPETITION

In general, the executives interviewed found American business people to be much more competitive than Canadian business persons. In fact, their comments frequently made use of terms used to describe battle. An executive from Mark's Work Wearhouse commented, "The move to the U.S. was a big lesson in American/Canadian culture. It wasn't just competitive -- it was a God damn war! " Dick Hunter, from Scott's Hospitality stated, "The level of competition in the U.S. is deeper and broader in all market segments. 'The strong survive'. It's all out war. The intense competition is a way of life...a mentaiity. Management is focussed on putting others out of business. Employee attitudes are different. They are short-term oriented. It's difficult to develop a family mindset in the U.S." An executive from Peoples Jewellers commented, "In the U.S., no product exists that isn't already there or within a short period of time, the competition will have it. You, therefore, need to market your product differently, motivate sales people differently...if you cannot do this, you will not survive." However, another Peoples executive found that the competitiveness in the U.S. created one advantage: "The banks in Canada are almost smug. In the U.S., they are far more competitive and, as a result, much more responsive to your needs."

Companies not expecting the difference in the competitiveness could be put at a significant disadvantage. Mark's Work Wearhouse executives expected things to be the same in the U.S. In Canada, whenever Mark's had opened a store in any particular location, the competition in the area had basically backed down. When they opened their first store in Rock Springs, Wyoming, the opposite occurred. Noted Mark, "They used every battle ground they could. They locked us out of resources, used advertising, cut prices..." In the U.S., competitors fight to stamp out their competition. Another Work Wearhouse executive commented, "The attitude in the U.S. is that we're here to win. If you're going to succeed, you have to win. And, how you win is to stamp out your competition." Futhermore, Mark stated, "In Canada, loyalty, being nice and trying count.

Not down there. In the States, the game -- she is about winning." Yet, despite this attitude, the fight between competitors is not taken personally. The rules of the game are simply different. "This attitude doesn't exist in Canada. In the U.S. managers fight their best to win. If they don't they pick themselves up and do something else. In Canada, they lick their wounds for a year."

Clearly, the executives in the study felt that cultural differences existed between Canada and the United States, and that these differences led to different business practices and behaviors within that market. However, although the comments from the executives in the study concerning the cultural differences between the two countries are rich and informative, they are qualitative and perceptive in nature. Therefore, Phase II of the research sought more quantitative evidence to support the findings of Phase I of the research. This phase of the research will now be discussed.

Footnotes

(1) It should be noted that the differences discussed in this section are not necessarily actual differences between Canadians and Americans in the retail sector but, rather, perceptions of differences among the businessmen in the study.

(2) Notes from the two conferences can be found in Appendix 8.

CHAPTER 10 - A SURVEY OF CULTURAL DIFFERENCES

THE RESEARCH METHODOLOGY

A summary of the literature completed in Chapter 2 suggested that Canadians and Americans differed on a number of cultural characteristics. However, due to the lack of empirical work in the area, the findings from the literature could only be taken as representing the 'conventional wisdom' on the subject. That is, the literature merely acted as a base from which to test the validity of several propositions.

The validity of these propositions was established to some extent upon the completion of the executive interviews and the case studies in Phase 1 of the research, where the importance of the cultural differences between Canada and the United States became even more apparent.

The interviews with the Canadian and American executives in Phase 1 of the research were useful in two respects. First, they provided qualitative evidence that cultural differences did indeed exist between Canadian and Americans. Second, they pointed out cultural differences that had not been suggested in the literature review, which more specifically defined the two national cultures from a business perspective. For example, the literature review identified several key cultural differences between Canada and the United States. The 12 differences considered most relevant to business were chosen for study. These were factors such as: achievement orientation, aggressiveness, optimism, attitudes toward government/authority; risk propensity; conservatism; attitudes toward equality, attitudes toward rules; and Hofstede's four cultural dimensions -- power distance, uncertainty avoidance, individualism, and masculinity. However, the executives interviewed not only referred to many of these 12, but identifed 5 others that were more specific to doing business in the United States. These 5 were: A Commitment to Winning; Mastery Over One's Environment; Belief In Competitiveness; Action Orientation; and, Belief in Hard Work. One other factor was hypothesized by the researcher, which was called adaptability/flexibility. This came out of Phase 1 of the research, where it was found that Canadian retail executives had difficulty adapting to the U.S. culture. A summary of the hypothesized cultural differences is presented in Figure 32.

Phase 2 of the research was devoted to determining whether or not the suggested cultural differences between Canadians and Americans actually existed. Much had been written about such differences, and several executives had confirmed their existence, but no one had actually provided statistical evidence to confirm or disconfirm these findings. It was decided that a questionnaire testing the suggested cultural differences was the best instrument to achieve this objective. The design of the questionnaire is discussed in the next section.

1. THE QUESTIONNAIRE

A 125 item questionnaire was used to measure the cultural differences between Canadian and American retail business persons. The questionnaire was aimed at measuring the 18 cultural differences that had been suggested in both the literature and in the interviews from Phase 1 of the research.

The aim of Phase 2 of the research was not questionnaire design. Therefore, an attempt was made to find already established instruments to measure the constructs outlined in Figure 32. This was possible for the following 11 constructs -- achievement, aggression, risk taking, hard work, adaptability, risk propensity, and Hofstede's four cultural dimensions. However, there were other constructs listed in Figure 32 for which no previously developed measure could be found. Therefore, these constructs were measured using a self-developed instrument. The already established instruments chosen to measure several of the constructs are discussed below, followed by a discussion of the self-developed instrument.

FIGURE 32

CULTURAL DIMENSIONS MEASURED

1. Achievement Orientation
2. Level of Aggressiveness
3. Level of Optimism
4. Action Orientation
5. Belief in Hard Work
6. Attitudes Toward Authority
7. Belief in Competitiveness
8. Risk Propensity
9. Uncertainty Avoidance
10. Masculinity
11. Individualistic/Collectivism
12. Power Distance
13. Adaptability/Flexibility

14. Commitment to Winning

15. Mastery Over One's Destiny

16. Conservatism

17. Attitudes Toward Equality

18. Attitudes Toward Rules

Figure 32. Cultural Dimensions Measured

Hofstede's Cultural Questionnaire

Hofstede's 24-item Values Module questionnaire was used to tap cultural differences between Canadian and American retailers on four dimensions: power distance, uncertainty avoidance, masculinity femininity, and individualism/collectivism. Hofstede's instrument has been used by many researchers, and is generally considered the best available instrument for measuring culture.

However, Canada and the United States were only two of the forty countries that Hofstede studied. His questionniare was designed to study national cultures in a more general way. It was not intended to measure cultural differences between Canada and the U.S. Therefore, it was felt necessary to include other instruments more clearly designed to tap the more specific differences between Canada and the U.S. suggested by the literature and the executives.

Jackson's Personality Research Form

Items from the abbreviated Jackson Personality Research Form (BPRF) were also used in the questionnaire. The BPRF is an instrument for measuring personality traits in settings such as business and industry (Jackson, 1984:4). The scales of personality included were those which measured achievement and aggression. Much of what has been written about the differences between Canadians and Americans suggests that Americans are more achievement oriented than Canadians, and that they are more aggressive. In addition, the executives interviewed confirmed these findings. Comments were made that American employees and managers had a much stronger desire to achieve than Canadians in terms of getting ahead in their work and in terms of achieving higher productivity levels. Similarly, comments abounded concerning how aggressive American executives, managers, employees and customers were in comparison to those in Canada.

Since Jackson's measures were the most well-known and well-established measures of achievement and aggression, they were included in the survey. Jackson defines Achievement as a measure of one's orientation toward work and play and Aggression as a measure of the degree and quality of one's interpersonal orientation.

The Personality Research Form is a 352-item inventory containing 20 personality scales (and 2 validity scales), each measured by 16 descriptive statements pertaining to behaviors within situations. The PRF combines, "...a concise, convenient format with the properties of reliability, substantive generalizability, and validity" (Jackson, 1984:4). The standard shorter form was used, which contains 8 descriptive statements, instead of 16, to keep the overall questionnaire size to a minimum. Jackson (personal communication) indicated that the shorter versions of his scales had very similar reliability and validity to the longer versions. He claimed that any 8 items could be chosen from the 16, but he did suggest that it was necessary to choose 4 positively coded statements and 4 negatively coded statements to achieve the best results. Thus, the 8 items chosen were of this combination.

Jackson Personality Inventory (JPI)

The Jackson Personality Inventory (JPI) was also used for its excellent measures of Risk Taking and Tolerance. In addition to achievement oriented and aggressive, Americans are traditionally described as having a higher propensity for risk than Canadians. Consistent with this were executive comments that credit is far more integral to the American than the Canadian retail customer. In addition, an executive from Peoples Jewellers commented that Americans were much more willing to spend a great deal of money on jewelry -- cash for flash -- than Canadians. Therefore, Jackson's Risk Taking measure was used to compare Canadians and Americans on this cultural factor. Jackson defined Risk Taking in terms of four facets: physical risk taking, monetary risk taking, social risk taking, and ethical risk taking. Jackson (1976:18) stated, "Individuals who score high on this scale are prone to expose themselves to situations having uncertain outcomes, whether these involve risks to life and limb, to one's pocketbook, or whatever." However, monetary risk taking was more heavily weighted in the scale than the other types.

One of the major findings from Phase 1 of the research was that several of the Canadian retail executives had a difficult time accepting the fact that the U.S. had a different culture than Canada. They tended to hold on to their Canadian attitudes and ways of doing business in spite of evidence that they were not working in the U.S. market. This inflexibility made two companies unable to adapt to the U.S. market. This led the researcher to become interested in how Canadians compare to Americans in their level of flexibility or adaptability. Jackson's Tolerance scale was used to measure this construct labelled flexibility/adaptability. Jackson stated that Tolerance referred "...not only to an individual's acceptance of people of different religious and racial backgrounds, but more importantly it assesses his or her acceptance of persons holding different attitudes and customs." A high scorer is less likely to evaluate others negatively if they disagree with him or express unusual opinions.

The Jackson Personality Inventory (JPI) has relevance to the prediction of behavior in a wide variety of contexts. The JPI was developed within the context of a dimensional formulation of personality. Within the context of this model, all individuals are thought of as possessing the trait or characteristic in some degree, and the higher the score, the greater the probability that the individual will show behavior relevant to the characteristic measured by the scale.

The Jackson Personality Inventory is to be distinguished from the Personality Research Form,

> only in terms of the nature of the variables of personality measured, but in terms of its representing a further refinement and development of substantive, psychometric and computer-based strategies for scale development initially employed in the development of the PRF. (Jackson, 1976)

Blood's Protestant Work Ethic Scale (1969)

Several people have suggested that American business people work harder and longer hours than their Canadian counterparts. This cultural difference was labelled 'Belief in Hard Work' in Figure 32. The rationale used by several of the executives in the interviews was that in the U.S.

people are more affected by their employment circumstances than in Canada. In Mark Blumes' words, "In the U.S. if you don't work, you don't eat." In Canada, there are a number of social programs to assist you if you cannot work. However, 'Belief in Hard Work' has two potential dimensions underlying it. First, is the value component, which has to do with one's underlying values about work. This dimension of the construct was measured using Blood's (1969) Protestant Work Ethic Scale (1). Blood described a person who possesses Protestant Ethic ideals as one who feels that personal worth results from self-sacrificing work or occupational achievement. The scale was designed to measure the strength of this orientation along with the extent to which individuals disassociate themselves from such values. The scale was composed of two sub-scales labelled Pro-Protestant Ethic and Non-Protestant Ethic, each consisting of four items. The items from both sub-scales were intermixed in presentation. One study used only the Pro-Protestant Ethic sub-scale reported a Spearman-Brown internal reliability coefficient of 0.70 with a sample of approximately 80. The other dimension of 'Belief in Hard Work' will now be discussed.

Job Involvement, Lodahl and Kejner (1965)

The second aspect of the construct "Belief in Hard Work" was considered to be more behavioral than that measured by the Protestant Work Ethic scale. Therefore, it was measured using Lodahl and Kejner's Job Involvement scale. The authors defined Job Involvement in terms of the extent to which a person's work performance affected his self-esteem. To a person who is highly job-involved, work plays a central part in his or her life. Job involvement, as measured here, was seen as being relatively resistant to change, having its base in an individual's personal value system.

The short version of the scale, comprised of six items, was used in the present research, due to space constraints. It has been used more frequently than the 20-item version. Spearman-Brown internal reliability coefficient for the six-item version of the scale was recorded as 0.73, and its correlation with the 20-item version was 0.87.

Self-Developed Instrument

No previously developed measures could be found to measure certain constructs suggested as being central to the difference between Canadians and Americans, particularly in the business sector. These constructs were: Commitment to Winning, Mastery, Level of Optimism, Conservatism, Attitudes Toward Authority, Attitudes Toward Rules, Attitudes Toward Equality, Action Orientation, and Competitiveness (2). Therefore, a self-developed instrument was used.

The self-developed items consisted of a list of fifty common North American sayings, or aphorisms. Respondents were asked to indicate how closely each aphorism reflected their business attitudes and values, on a scale of 1 to 5 (where 1 = strongly disagree and 5 = strongly agree). Lawrence and Lorsch (1967) made use of this method as one part of their study on organizations and environment. The rationale for using aphorisms in this way is that they reflect one's underlying values. Adler (1986) has suggested that proverbs, as she labels them, are a potent means for teaching us values. She stated,

> It is evidently more potent in teaching practicality, for example, to say, "Don't cry over spilt milk" than, "You'd better learn to be practical". (p. 5)

In addition, most people enjoy both thinking about, and using, aphorisms. For these reasons, it was hoped that Chief Executive Officers would be more motivated to answer items of this nature, than items of the more traditional, academic type, possibly improving the response rate. Indeed, several respondents indicated on the back page of the questionnaire that they were intrigued by the aphorisms, and enjoyed completing them. Therefore, using aphorisms is an interesting and practical means of measuring attitudes and values.

Developing the Measure

The procedure for developing this measure was the following. First, several books of aphorisms were used to select aphorisms that were appropriate. Second, colleagues, friends and family were called upon to provide a list of their favorite aphorisms, as well as any others they could think of. Third, several brainstorming sessions were held. This proved to be the most useful source, as the process of verbalizing the aphorisms created a snowball effect within the group.

Once a large list of aphorisms was developed, it was necessary to decide what underlying value each was measuring. At this point, there was much input from the sources of the aphorisms in suggesting what underlying value/ construct each aphorism was associated with. If the aphorism did not fit under any of the constructs the questionnaire was attempting to measure, it was discarded.

The list of aphorisms, prepared in questionnaire format, was then given to a group of colleagues, who were unaware of the underlying constructs it was attempting to measure. They were asked to indicate, after reading each one, what they thought the underlying value was. Their responses were aggregated, and further items were dropped, if there was no agreement on their meaning.

The next group solicited comprised a combination of academics and business people, who understood the purpose of the questionnaire, as well as the constructs it was attempting to measure. This group confirmed the questionnaire's face validity, and provided feedback on the questionnaire as a whole. Respondents were asked to organize the items under construct headings to determine whether they interpreted the items as the author had, and as each other had. They were also asked to comment on any problems/defects in the questionnaire, as well as how to improve it. Further items were dropped at this point. Items were retained and used on the final questionnaire only if they met a 70% cutoff criterion. That is, 70% of the respondents had to interpret the aphorism in the same way, for it to be included in the questionnaire. Interestingly enough, for most of the aphorisms, 85-100% of the respondents agreed that they measured what they were supposed to be measuring.

The constructs for which self-developed items were used are defined in Appendix 2. The aphorisms selected to measure each construct are presented in Appendix 3.

Although the remainder of the questionnaire items were taken from established scales, the final questionnaire (all items) was given a group of ten academics for comments, criticisms and suggestions for improvements.

Number of Answer Categories Used

The number of answer categories used can have a large effect on the quality of the data (Andrews, 1982) In general, as the number of answer categories goes up -- data quality also goes up -- as validity tends to increase and the residual error tends to decrease. Scales using more than four points produce a more accurate reflection of the underlying variation. However, although the literature suggests that scales with less than four points give less good measurement quality, than scales with four or more categories, the most effective number of points beyond four is unclear.

Five-point scales were used throughout the questionnaire for two reasons. First, the questionnaire was sent to the Chief Executive Officers of the top retail companies in Canada and the United States. To expect persons of this level to complete the questionnaire was asking a lot. Therefore, it was felt best to keep the questionnaire as straightforward and consistent as possible, to minimize their time and effort, and to ensure a good response rate and good data quality.

Included in the five answer categories used was an "uncertain" category, which is clearly and consistently associated with better data (higher validity, lower method effects, and lower residual error). "The reasonable idea that one should let respondents "opt out" if they lack the requisite information or opinions receives strong endorsement" (Andrews, 1982:20).

The back page of the questionnaire was devoted to any comments the respondents had, in addition to their questionnaire responses. The back page, plus the space in the margins, also allowed respondents a chance to clarify their answers.

2. THE QUESTIONNAIRE POPULATION

The top 400 retail companies in each of Canada and the United States were the populations of interest. This number was chosen for two reasons. First, the questionnaire attempted to measure a large number of constructs, so a fairly large number of respondents was deemed necessary to make the analysis complete. Second, a number larger than 400 in each country was not feasible given time and financial constraints.

Obtaining The List of Top Retail Companies

Obtaining a list of the top retail companies in Canada and the U.S. was a difficult task. As a first step, the Retail Council of Canada, and its American equivalent, the National Retail Merchant's Association, were contacted. However, neither of these organizations would disclose any information on their memberships, nor provide a rank ordering of these companies, based on performance. One individual from the National Retail Merchant's Association suggested a number to call where a list of top retailers could be purchased. The company, called Chain Store Guide, provided lists of the top American companies, using sales volume as the criterion for performance. The problem then became finding a comparable list of companies in Canada, ranked on the same criterion.

In Canada, there were two sources for this information -- the Monday Report on Retailers and Micromedia. Although both could produce a list of retailers, only the latter could provide a ranking based on sales volume. Unfortunately, however, the company's sales data was available only for public companies. The American list that had been found was comprised of both public and private companies, with no way of separating out the two types.

The next step involved contacting the Report on Business Magazine which had released its list of the top 1000 companies in Canada. Only 40 of the top 1000 were retail companies. A representative of the magazine indicated that while the Report on Business only had information for 57 retail companies in Canada, access to information on other retail companies could be generated from a data base called Infoglobe for a substantial fee.

Since the main library at the University of Western Ontario provided access to Infoglobe, the key person at the library was contacted. However, he suggested that a list be generated using a newly accessible data base - the Dun and Bradstreet Canadian Dun's Market Identifier - which had all the information needed. Firms were chosen for inclusion in the sample only if their four-digit S.I.C. code indicated their "primary" business was in the retail industry. The S.I.C. codes were found in the Canadian Key Business Directory. The top 400 retailers were selected from all retailers, using sales volume as the performance criterion. Sales volume was chosen because it was believed to be the most reliable indicator of performance. Since it was impossible to obtain data on a company's performance over a longer period of time than just one year, profit figures had too many extraneous influences to be necessarily representative. There was also little choice.

Because this method turned out to be the most economical, the top 400 U.S. retail companies were generated in the same manner. The program produced a list in each country that was as close to four hundred companies as possible. The Canadian list numbered exactly four hundred, whereas, the United States list contained the top four hundred and seventy-two retail companies. The Dun & Bradstreet Key Business Directory (Canadian) and the Million Dollar Directory (American) were used to look up the names of Chief Executive Officers for the companies chosen in each of the two countries (3).

However, generating a list of the top four hundred companies in each country did not ensure that four hundred companies would be usable in each. Not all of the companies could be found in the directories, leaving the list of potential respondents somewhat smaller than the original master list. The difficulty finding the companies was much more pronounced in the U.S. The reason for this was not clear. Perhaps the directory of U.S. company names and addresses was less complete or less accurate than the Canadian directory, due to rapidly changing company ownerships through mergers and acquisitions, or a greater number of companies exiting from the U.S. market. Fortunately, the U.S. list was larger to begin with. The final lists of usable companies turned out to be 369 in Canada, and 338 in the United States.

3. DATA COLLECTION

In general, it has been found that mail questionnaires produce lower response rates than either face-to-face interviews or telephone surveys. To maximize the response rate in the present research, the implementation of the questionnaire followed the Total Design Method (TDM) suggested by Dillman (1978). This method involves following a very rigidly defined procedure for designing the questionnaire and mailing it. Dillman argues that the Total Design Method, if followed, produces response rates between 60 and 75 percent for mail questionnaires. Therefore, the questionnaire was designed, printed and coded according to Dillman's specifications.

The questionnaire was mailed, along with a one-page cover letter, to the Chief Executive Officers of the top retail companies in Canada and the United States. There were 369 Canadian retail companies and 338 American companies. The cover letter was designed to entice the CEO's to respond. It used as its basic appeal the prospect of freer trade between Canada and the United States, a topic considered to be important by most business people. In return for their completed questionnaires, CEO's were offered a copy of the results, which would help them to compete in the North American market in the 1990's. Pre-stamped return envelopes were also provided. First-class postage was affixed throughout.

In addition, the University of Western Ontario logo appeared on all correspondence with the companies, except the questionnaire itself, indicating the university's support of the research project, and its uniqueness from other mass mail surveys. Finally, each cover letter was personally signed by the researcher. The questionnaire and cover letter are presented in Appendices 4 and 5, respectively.

The questionnaires were mailed in January of 1989. January was found to be the month of least business activity for the retail industry. Therefore, it was felt that executives would have more time, and possibly be more willing to fill out the questionnaire, during that month. Using this approach also avoided the Christmas mail rush.

Exactly one week later, a postcard follow-up was sent to all recipients of the first mailing. It was written as a thank you to those who had already returned their questionnaires, and as a reminder to those who had not.

Four weeks after the original mailout, a second follow-up was mailed, to nonrespondents. It consisted of a cover letter that informed them that their questionnaire had not yet been received, and included a restatement of the basic appeals from the original letter. A replacement questionnaire, and another return envelope were also sent. The third and final follow-up was mailed 8 weeks after the original mailing. It consisted of a cover letter and still another questionnaire and return envelope. The second and third follow-up letters can be found in Appendices 6 and 7, respectively.

Of the 369 questionnaires mailed in Canada, 203 were returned, for a response rate of 55 percent. However, of the 203 returned, 10 were returned to the sender. The correct address for the 10 companies could not be found. Others declined because of company policy which precluded them from participating. In other cases, the CEO of the company had retired or died, and there was no one in the role at the time of the questionnaire. Other CEO's were out of the country and, therefore, could not be contacted to participate. In addition, 2 of the top 369 companies had merged into one, and others had been acquired. Surprisingly, one of the top Canadian companies had gone out of business. Moreover, in 3 of the companies on the original list a representative had written back indicating that the company was not a retail company. This reduced the number of usable questionnaires to 178.

In the United States, 338 questionnaires were mailed. 125 were returned, for a response rate of 37 percent. However, like the Canadian sample, 25 of the questionnaires returned could not be used for one of the reasons outlined above. Therefore, the number of usable questionnaires was reduced to 93. Figure 33 outlines the number of questionnaires sent and the number that were usable for both the Canadian and American respondents.

The response rates in both Canada and the United States are far below what Dillman suggests will result if his Total Design Method is followed (4). However, given that the questionnaire was sent to the Chief Executive Officer of the top retail companies in each country, the response rate does not seem as poor. These people are very busy so it would seem unrealistic to expect a response rate similar to what might be obtained if the general population was surveyed.

FIGURE 33

QUESTIONNAIRE RETURN RATES

C = Canada
U.S. = United States

	Number of Surveys		Percent of Surveys Originally Sent	
	C	U.S.	C	U.S.
Sent	369	338	100.0	100.0
Returned	203	125	55.0	37.0
C.E.O. not available	2	7	0.5	2.0
Return to Sender	10	11	2.7	3.3
Company Policy Against Surveys	0	11	0.0	3.3
Merged with company on list/Company sold	2	1	0.5	0.3
Company Out of Business	2	0	0.5	0.0
Company Not a Retailer	3	1	0.8	0.3
Survey Voided	4	3	1.0	0.9
Usable	180	91	48.7	26.9

Figure 33. Questionnaire Return Rates

An interesting difference between Chief Executive Officers in each of the two countries was the reasons they gave for not responding. As stated above, there were legitimate reasons in both countries (i.e. death, merger, etc.), but four times as many American Chief Executive Officers (16) sent back their questionnaires or called stating that they were too busy to participate than in Canada (4). In addition, many more U.S. than Canadian retailers housed policies prohibiting their members from participating in such a survey. One executive explained on the front of the questionnaire that without such a policy, he would be inundated with questionnaires of all types every day. This is understandable given the size difference between the U.S. and Canada. The U.S. has a much greater number of universities doing research, and a much larger number of other organizations also conducting survey research.

Analyzing the response patterns in each of the two countries proved equally interesting. First, there was a much higher response rate in Canada (55 percent) than in the U.S. (37 percent). This may have had to do with the fact that the U.S. companies did not recognize the Canadian university from which the questionnaire came from. Alternately, they may have discounted it because it came from a Canadian university, thinking it was unimportant, or did not apply to them. On the other hand, given some of the comments on the questionnaires, U.S. executives seem to feel they are far too busy to complete questionnaires compared to Canadian executives.

Second, there was a noticeably lower response rate among the Chief Executives from the top 60 companies in the U.S. than among the companies ranked 61 to 338. Given the comments other executives made about how busy they were, perhaps those executives in the top 60 companies were even busier, and could not find time to complete the questionnaire. Or, perhaps due to the size of some of these companies, maybe they too had policies preventing them from participating.

The above pattern was not found in Canada. The response rate from the top 60 companies in Canada was very similar to the response rate from companies ranked lower. However, in Canada, the opposite pattern occurred. The response rate from the companies ranked in the bottom 50 was significanty lower than from any of the other companies. One of the problems with using the top 400 retail companies in each of Canada and the United States is that there are not as many top Canadian retail companies as there are top U.S. retail companies. Because of the size of the U.S. market, the companies ranked in the bottom 50 of the sample are still relatively large companies whereas, in Canada, they are much smaller with sales of under $10 million. The smallest U.S. company included in the study had sales of $104 million.

In addition, it is interesting to note the average sales volume of the Canadian companies who responded to the survey was $116,067,100, whereas, the average sales volume for the American companies who responded to the survey was $1,005,604,4[illegible]0. However, in both countries the top five companies tend to raise the average sales figure substantially. Excluding the top five companies in each country, the average sales volume drops to $79,349,700 in Canada, and $529,534,880 in the United States.

All of the questionnaires appeared to have been filled out personally by the CEO. Many of the questionnaires contained comments on the back page -- which were signed by the CEO.

In the following chapter, the data analysis and results from the questionnaire will be discussed.

Footnotes

(1) The value component of the construct 'Belief in Hard Work' was also measured by items included in the self developed instrument. In addition, the behavioral component of this construct was tapped using Lodahl and Kejner's Job Involvement scale.

(2) Although no other established instrument measured these constructs specifically, some did in an indirect way. For example, Hofstede's questionnaire items which correlate with his Power Distance dimension could be used to measure the 'Attitudes Toward Equality' construct.

(3) The program used was capable of generating the names of the Chief Executive Officers of the retail companies on the list, but it would have cost \$2.00 per company. Obtaining the name and address of the company, ranked by performance, was only 25 cents per company. Therefore, the names of the CEO's were looked up manually.

(4) Dillman's Total Design Method was followed faithfully except for one thing. He suggests that the third follow-up letter be sent by certified mail. Dillman had found that by sending the third letter by certified mail, it indicated to non-respondents the importance of their response. It was one final effort to attempt to get them to respond. However, this point he had found that the number of non-respondents was not great. In this research, well over half of the initial mailing list still had not responded by the third follow-up letter. Therefore, sending the third follow-up letter by certified mail was not financially feasible. It is doubtful that sending the thrid follow-up letter by certified mail would have made much difference, if any.

CHAPTER 11 - QUESTIONNAIRE ANALYSIS AND RESULTS

INTRODUCTION

Chapter 11 is divided into three major sections. Section 1 focuses on general issues of interest, such as analyzing the questionnaire data for instrumentation and other potential problems, and analyzing the respondent demographics. In Section 2 the analysis becomes more specific in terms of checking the reliability of the scales used on the questionnaire, as well as presenting any further analysis completed on the scales. Finally, Section 3 presents the results of the statistical analysis comparing the Canadian and American Chief Executive Officers.

SECTION 1 - POTENTIAL PROBLEMS AND RESPONDENT DEMOGRAPHICS

Potential Problems

The first step in analyzing the questionnaire results was to examine the responses for instrumentation problems. No such problems were encountered. Two patterns may have signaled that such problems existed. The first would have been individual surveys containing numerous item non-responses. This would suggest that the respondents had difficulty understanding many of the items. One must question the reliability of all responses on such a survey. The respondent may have left many confusing questions unanswered, but also might have guessed at others in an effort to be helpful or to avoid embarrassment.

A second pattern indicating problems is numerous non-responses to a single item. This would imply that the item was unclear, inappropriate, or perhaps offensive to the respondents, and should be removed. No items were found in which this situation occurred, using a 5 percent criterion. That is, any item in which greater than or equal to 5 percent of the responses were missing would have been dropped.

Missing Values

The survey data included responses from a total of 262 Chief Executive Officers in Canada and the United States. Each questionnaire contained 125 items, for a total of 32,750 possible item responses. Out of this total, there were 336 non-responses (1 percent). These 'missing values' were distributed across questionnaires surveys. No single item was the subject of more than 7 missing or invalid responses (< 3 percent). Thus, this analysis did not pinpoint any items with particular problems of clarity or content.

Respondent Demographics

The survey categorized respondents according to age, gender, and educational level, to allow for a comparison between Chief Executive Officers in Canada and the United States on these dimensions. Figure 34 provides the results of this breakdown.

As expected, there were very few female Chief Executive Officers in either country. Indeed, the number of female respondents in both countries was exactly the same -- 3.3 percent of the respondent group. Thus, there was no significant difference between the two groups.

The greatest percentage of Canadian Chief Executive Officers (20.6 percent) was in the age group 45 - 49. In the U.S. the greatest percentage of respondents was in the 50 - 54 age category (24.2 percent), which is somewhat higher. Only 12.8 percent of the respondents were 60 - 65 in Canada, whereas, in the U.S. this figure was 19.8 percent. The mean age of Canadian Chief Executive Officers was 49.3, whereas it was 52.5 in the U.S. group. A Student t-test

FIGURE 34 - RESPONDENT DEMOGRAPHICS

	CANADA Percentage of Total Respondents (n=178)	UNITED STATES Percentage of Total Respondents (n=91)
AGE		
1. Under 35	8.9	5.5
2. 35-39	10.6	8.8
3. 40-44	15.0	6.6
4. 45-49	20.6	13.2
5. 50-54	15.0	24.2
6. 55-59	12.2	15.4
7. 60-65	12.2	19.8
8. Over 65	4.4	6.6
Missing	0.6	0.0
TOTAL	100 percent	100 percent
EDUCATION LEVEL		
1. 10 years or less	10.6	0.0
2. 11 years	3.3	0.0
3. 12 years	12.2	8.8
4. 13 years	10.6	3.3
5. 14 years	12.2	6.6
6. 15 years	8.9	4.4
7. 16 years	11.7	23.1
8. 17 years	10.6	13.2
9. 18 years or over	20.6	40.7
TOTAL	100 percent	100 percent
SEX		
1. Male	96.7	96.7
2. Female	3.3	3.3
TOTAL	100 percent	100 percent

Figure 34. Respondent Demographics

confirmed that there was a significant difference between the mean age of Canadian versus American executives ($p < .007$).

In addition to the American executives being somewhat older than the Canadian executives, they had also completed a greater number of years of formal education. In Canada, the mean number of years of formal school education completed was 14.6, whereas, in the U.S. it was 16.3 years. This difference was also significant ($p < .001$). What was particularly interesting was that there was no one among the U.S. respondents with less than 12 years of formal education. In Canada, 13.9 percent of the Chief Executive Officers fell into this category. Moreover, 40.7 percent of the U.S. executives had 18 years or more education, whereas, only 20.6 percent of the Canadian Chief Executive Officers did. One factor that could potentially bias the results found is the size of the companies responding in each of the two countries. As indicated in Chapter 10, the average sales volume was much higher for the American companies than for the Canadian companies. One could argue that companies with ten times the sales volume would require Chief Executive Officers with higher education levels. On the other hand, the study surveyed the top level companies within each country. It also surveyed Chief Executive Officers within the two countries. It could also be argued that similar skills would be required to perform this role in each country and, therefore, that individuals occupying this position would have similar educational backgrounds.

Evidence from the literature review in Chapter 2 suggests that it is unlikely that the results found are due to a bias in the data due to company size. In that chapter, it was found that access to education is much lower in Canada than in the U.S., and managers on the whole in Canada tend to be less well educated than managers in the U.S. (Lipset, 1989). Therefore the results more likely support a basic difference between Canada and the U.S.

Figure 35 presents the results from the Student t-tests for the two groups on age and education level.

SECTION 2 - SCALE RELIABILITY ANALYSIS

The next step in the data analysis involved calculating the reliability of each of the scales used on the questionnaire. The reliability coefficient of a test indicates the trustworthiness of the scores on that test, which is usually expressed in terms of the stability and consistency of the test scores (Dick and Hagerty, 1971). Common methods of reliability assessment, such as 'test-retest' and 'alternative form' (Nunally, 1978), require that two instruments be tested on the same group of respondents at different times. They assess reliability by establishing the stability of the instrument. Such tests were not feasible in this study. Instead, Cronbach's alpha was used. Cronbach's alpha is an excellent technique for assessing reliability. Because it requires only a single test administration, it is very easy to use. "The minimal effort that is required to compute alpha is more than repaid by the substantial information that it conveys about the reliability of a scale" (Carmines and Zeller, 1979).

Cronbach's alpha represents the expected correlation between the instrument used and a hypothetical alternative instrument (Nunally, 1978). It is equal to the mean inter-item correlation of all possible two-test splits of the actual survey instrument. In assessing reliability, Cronbach's alpha measures the internal consistency of the instrument. This statistic is considered a conservative estimate of reliability (Carmines and Zeller, 1979).

A common rule of thumb for reliability advises that scales should have a coefficient alpha of 0.70 or greater for basic research. Since the current research was categorized as exploratory (basic) research, this rule was used as a guide.

FIGURE 35

STUDENT T-TESTS - AGE AND EDUCATION LEVEL

MEAN DIFFERENCES ON DEMOGRAPHIC VARIABLES

Variable	Number of Cases	Mean	Standard Deviation	2-Tail Prob.
AGE				
Canada	179	4.3296	1.951	.007**
U.S.	91	5.0000	1.909	
EDUCATION				
Canada	180	5.5944	2.657	.000***
U.S.	91	7.3187	1.926	

Note: N=271 * $p < .05$; ** $p < .01$; *** $p < .001$

Figure 35. Student T-Tests - Age and Education Level

The questionnaire was designed using items from a variety of already established scales, as well as several scales developed by the author. The calculated Cronbach's alpha for each set of scales used on the questionnaire will be presented and discussed separately as well as any further analysis done on the scales. The first scales of interest are those developed by Jackson measuring aggression, achievement, risk taking and tolerance.

Jackson's PRF and JPI Scales

There were two scales chosen from Jackson's Personality Research Form (PRF) and two from the Jackson Personality Inventory (JPI). These four scales were the Achievement, Aggression, Tolerance and Risk Taking scales respectively. Each scale was made up of 8 items. The scale reliabilities for the four scales in this research are presented below.

	Reliabilities (Cronbach's Alpha) n = 271
Achievement	.44
Aggression	.59
Tolerance	.46
Risk Taking	.72

It was clear that the calculated coefficient alphas were low. When this happens, it often means that either the items in the scales have too little in common, or that the scales consist of too few items. However, the first option can be ruled out for Jackson's items. Given their proven reliability and validity (Jackson, 1976, 1984), it could not be concluded that the scales themselves were unreliable. Instead, it was considered more likely that some other factor was contributing to the low coefficient alphas in this particular research.

One possible justification for the low reliabilities was that there may have been administrative problems. Since the scale items were included in a broader questionnaire format and mailed, they were not administered under the controlled circumstances used by Jackson when administering the test. As a result, it is difficult to know what conditions the scale items were answered under.

However, the factor considered to be of greatest importance was that too few items were used. Scales of only eight items each were used to measure aggression, achievement, tolerance and risk taking. Jackson's original scales used to measure these constructs were considerably longer in each case. To measure aggression and achievement, he used 16 item scales. The scale lengths for measuring tolerance and risk taking were 20 items each. Therefore, a significantly fewer number of items were used on the present questionnaire than were originally administered. It is a well-known fact that as the number of scale items measuring any particular construct increases, so does the reliability.

In order to correct for this factor, the Spearman-Brown prophecy formula was applied to the calculated reliabilities for Jackson's scales. This formula allows one to calculate what the reliability of the scales would have been had the original scales, with over twice as many items, been used. For example, it allowed the author to calculate what the reliability of Jackson's achievement scale would have been had the original 16 items been used in the questionnaire instead of only 8. Once this statistical correction was made, the reliabilities became more consistent with what Jackson had established over his many years working with the scales. The reliabilities using the Spearman-Brown formula were the following:

	Reliability Coefficient (Spearman-Brown formula)
Achievement	.61
Aggression	.75
Tolerance	.63
Risk Taking	.84

Therefore, the results from applying the Spearman-Brown formula demonstrate that had the longer scales been used, the reliabilities found would have been more acceptable. At this point, it was decided to proceed with the analysis comparing Canada and the United States on Jackson's four scales, bearing in mind the above.

Lodahl and Kejner's Job Involvement Scale

The calculated coefficient alpha for the job involvement scale was .59. Once again, 8 items had been chosen from a much longer original job involvement scale consisting of 20 items. Therefore, using the rationale discussed above, the Spearman-Brown prophecy formula was applied to this scale to determine what the reliability would have been had all items been used. In doing so, the revised reliability for this scale became .79.

Hofstede's 24 Item Questionnaire

The results of the reliability analysis for Hofstede's items were very low. They are presented below:

	Reliability (Cronbach's Alpha) n = 271
Uncertainty Avoidance	.42
Power Distance	.37
Masculinity/Femininity	.48
Individualism/Collectivism	.37

Although the scores on Hofstede's scales had very low reliability coefficients in this particular research, they have been used by several researchers in several countries to measure cultural dimensions. For this reason, the Canadian and American executives in this study were compared using his items.

The Self-Developed Scales (Aphorisms)

The reliability results for the self-developed scales, presented below were not surprising, given that this was the first time these items had been administered. In addition, several of the scales, such as those measuring competitiveness and equality, consisted of only 2 items each. With such a small number of items, it is impossible to establish good reliability coefficients.

	Reliability Coefficient (Cronbach's Alpha) n = 271
Winning (5 items)	.61
Mastery (5 items)	.58
Optimism (7 items)	.42
Action Orientation (6 items)	.59
Adaptability (4 items)	.25
Attitudes Toward Hard Work (7 items)	.62
Attitudes Toward Competitiveness (2 items)	.52
Conservatism (4 items)	.61
Attitudes Toward Equality (2 items)	.23
Attitudes Toward Rules (4 items)	.46
Attitudes Toward Government (3 items)	.16

However, given that there were no previously established reliabilities for these scales, they could not be trusted to be measuring what they were intended to measure. For these scales, calculating Cronbach's alpha coefficients pinpointed the need for additional work.

It became evident that dropping items did not improve the alpha coefficients. Therefore, a decision was made to adopt a more data driven approach and conduct a factor analysis on the self-developed items. Through factor analysis, it could be determined which items naturally grouped together and could be identified as factors on which the Canadian and American executives could be compared.

However, when conducting factor analysis, a general rule exists that there should be ten times the number of respondents as items being factor analyzed. However, in this case there were 50 items (the 50 aphorisms) to be factor analyzed but only 271 respondents. Since it was impossible to increase the number of respondents, it was necessary to reduce the number of items being factor analyzed. By doing so, it would greatly improve the reliability of the factor structure.

In order to systematically reduce the number of aphorisms, the researcher reviewed the decision as to which items were to be included in the questionnaire in the first place. In making that decision, a group of 10 respondents (Ph.D. students and business persons) were asked to interpret what each of a long list of aphorisms was measuring. Items were retained and used on the questionnaire only if they met a 70 percent cutoff criterion. That is, 70 percent of the respondents had to interpret the aphorism in the same way for it to be included in the questionnaire. Therefore, to reduce the 50 questionnaire items to a number that could be factor analyzed, a more stringent criterion was applied. Only the items (aphorisms) which had the agreement of 100 percent of the initial group of respondents would be chosen. Only 25 of the 50 aphorisms met this criterion. These 25 items were chosen to be factor analyzed. The other 25 items were not used in any further analysis. However, the 271 CEO responses to all 50 items (aphorisms) used in the questionnaire are available if needed in the future.

The 25 items chosen were factor analyzed using a principal components analysis with varimax rotation. Based on the eigenvalues, a scree test, and interpretability, a 6 factor solution was deemed most appropriate. Items with a factor loading of 0.30 or greater were retained for further analysis. Using this rule, all 25 items loaded on the 6 factors. The 6 factor solution explained 47.9 percent of the variance. The 6 factors, along with their item loadings are presented below.

FACTOR ANALYSIS (APHORISMS)

FACTOR 1	LOADING
There are no gains without pains.	.66
Today is the first day of the rest of your life.	.54
Lost time is never found again.	.51
One good thing leads to another.	.50
Why put off until tomorrow what you can do today.	.46
He who hesitates is lost.	.46
Keep your nose to the grindstone.	.45
I'd sooner fail than not be among the greatest.	.44
Better a bad decision than no decision.	.31
FACTOR 2	
A penny saved is a penny earned.	.79
Haste makes waste.	.66
Once bitten, twice shy.	.61
There is no act more moral among men than that of rule and obedience.	.51
FACTOR 3	
The end justifies the means.	.75
Rules are made to be broken.	.57
Winning isn't the only thing. It's everything.	.50
When in Rome, do as the Romans do.	.49
FACTOR 4	
All animals are equal, but some are more equal than others.	.74
That government is best which governs least.	.60
Nothing shadows truth so completely as authority.	.39
FACTOR 5	
Every cloud has a silver lining.	.75
Que sera, sera, what will be, will be.	.53
FACTOR 6	
All authority belongs to the people.	.70
Distrust and caution are the parents of security.	.37

Labelling the Factors

The factor analysis revealed that the 25 items loaded onto 6 factors. The first items listed under each of the 6 factors had the highest loadings on that particular factor, and were given increased weight in the labelling process. However, all items loading on each factor were used to produce the appropriate label for that factor.

Factor 1 was labelled 'Optimistic Action Orientation' because there appeared to be two related concepts underlying each of the statements. The most obvious was the concept of action -- a "do it" mentality -- getting tasks done immediately and moving forward. For example, the statement that "Lost time is never found again", implies that time is important and that one should get on with it. Similarly, "Why put off until tomorrow what you can do today"; "Better a bad decision than no decision"; and "He who hesitates is lost", have the same action implication. In addition, "There are no gains without pains" and "Keep your nose to the grindstone" have a definite action orientation. The second concept indicated was a level of optimism. For example, "Today is the first day of the rest of your life", and "One good thing leads to another", combine with the action statements to imply that one should put the past behind him/herself and look to the present and future optimistically. This concept can also be inferred from the statement "Lost time is never found again", in the sense that the past is insignificant, and only the present and future are important. Therefore, this grouping of items was labelled 'Optimistic Action Orientation'.

The second factor was called 'Cautiousness'. Someone who believes in the statement "A penny saved is a penny earned" is most likely a person who feels it is important to save enough for a rainy day -- someone who is cautious with respect to his/her money. Similarly, "Haste makes waste" seems to imply a need to be careful not to make any hasty decisions. "Once bitten, twice shy" also implies "Be careful". Finally, the statement "There is no act more moral among men than that of rule and obedience" conveys the importance of obeying society's rules. This too, is a somewhat cautious mentality

Factor 3 was labelled "Winning At All Costs Mentality". The statement "The end justifies the means" implies that someone would be willing to do whatever it took to achieve a desirable end. "Rules are made to be broken" is consistent with this. This statement implies that a person is willing to break external rules and only abide by his her internal set of rules. "Winning isn't the only thing. It's everything." clearly conveys that winning is all important. Finally, "When in Rome, do as the Romans do" also suggests that someone will adjust, or do what needs to be done, when necessary. These statements taken together seem to imply a sense of doing whatever it takes to win what is desired.

The items making up Factor 4 also had a common theme underlying them. "All animals are equal, but some animals are more equal than others" seemed to suggest a survival of the fittest mentality, or the concept that while we may all start on a level playing field, the best will rise to the top. The second aphorism, "That government is best which governs least" suggested a dislike of government interference. Similarly, the final item, "Nothing shadows truth so completely as authority" seemed to imply the same disapproval of authority, or intervention. These statements making up Factor 4 taken together were interpreted as supporting a Capitalistic Orientation. Capitalism is typically thought of as representing equality of opportunity, but not necessarily of outcome; and, a strong belief in the market ruling activity (no intervention). Therefore, this label seemed to most appropriately apply for Factor 4.

Factor 5 was labelled "Belief in Fate". The two items loading on this factor had one common theme. They both suggested an underlying acceptance of the way things are, and the way things are meant to be. "Que sera sera, what will be will be" certainly suggests this interpretation. The other statement, "Every cloud has a silver lining", initially implies a sense of optimism. However, it can also be taken as accepting the good with the bad, and believing in the fact that things will always work out for the best, the latter of which implies a strong belief in fate.

Factor 6 was also made up of two items -- "All authority belongs to the people", and "Distrust and caution are the parents of security". Taken together these items were labelled 'Distrust of Authority'. Both statements imply the need to keep matters in the hands of the people, and consequently, a distrust of anyone trying to take that away, which is usually those in positions of authority.

Once the factor analysis of the 25 aphorisms was completed, the six factors were used to compare the Canadian and American executives. The results of this comparison will be discussed in the next section.

Blood's Protestant Work Ethic Scale

The Protestant Work Ethic scale consisted of 8 items in its original form. It is composed of 2 sub-scales labelled Pro-Protestant Ethic and Non-Protestant Ethic, each consisting of 4 items. All 8 items were used in the questionnaire. The calculated coefficient alpha for this scale was .63. The fact that this reliability coefficient was low meant that further investigation was necessary. A principal components analysis of the 8 items with varimax rotation produced a two factor solution. The two factors were clearly the two work value dimensions outlined by Blood -- Pro-Protestant Ethic and Non-Protestant Ethic. That is, the four Pro-Protestant Ethic items loaded on one factor and the four Non-Protestant Ethic items on the other. The two factor solution explained 47.2 percent of the variance. The results of the factor analysis are presented below.

	Factor Loading
FACTOR 1 - Pro-Protestant Ethic	
1. Hard work makes a man a better person.	.75
2. Wasting time is as bad as wasting money.	.70
3. A good indication of a man's worth is how well he does his job.	.67
4. If all other things are equal, it is better to have a job with a lot of responsibility than one with little responsibility.	.66
FACTOR 2 - Non-Protestant Ethic	
1. When the workday is finished, a person should forget his job and enjoy himself.	.74
2. The principal purpose of a man's job is to provide him with the means for for enjoying his free time.	.74
3. Wherever possible a person should relax and accept life as it is, rather than always striving for unreachable goals.	.70
4. People who "do things the easy way" are the smart ones.	.48

Given the low coefficient alpha for the scores on the 8-item Protestant Work Ethic scale, it was decided to use the two factors produced by the factor analysis in addition to the original 8 item scale to compare the Canadian and American respondents.

Other Findings

When calculating the coefficient alpha reliability coefficients for each of the scales, a breakdown by country was also calculated. An interesting finding emerged. In over 75 percent of the cases, the U.S. executives' responses were found to be have a higher reliability coefficient than the

Canadian group. In some instances the U.S. figure differed substantially. These results are presented in Figure 36.

It is difficult to explain why the above results occurred. They suggest that the American executives' scores are more reliable than the Canadian executives'. This finding in itself suggests a significant difference between Canadians and Americans. Perhaps Americans are more consistent as a group than are Canadians. Alternatively, they may have taken more time to answer the questionnaire, making their scores more reliable. Perhaps the difference has to do with Canada being multicultural and the U.S. being a melting pot. In Canada, individuals are encouraged to maintain their cultural identity and diversity whereas, in the U.S., they are encouraged to take on the American identity.

To investigate the first possibility, the respondents' answers to the questionnaire items were analyzed in more depth. Analyzing Jackson's four scales alone, it became clear that in 75 percent of the responses, the American sample had a consistently lower standard deviation. The responses to the other scales included in the questionnaire had similar results, with the Canadian standard deviation in responses being higher than the American in the majority of cases. Moreover, the responses to the 5-point scales were also analyzed to determine whether Americans' pattern of response differed in any way from Canadians' pattern. The results indicated that Americans tended to give answers at the extremes far more so than Canadians did. For example, Americans circled a greater percentage of extreme responses such a 1 (strongly disagree) or a 5 (strongly agree) than did Canadians. In 87.5 percent of the responses to items in both the Protestant Work Ethic scale and the Job Involvement scale, Americans circled an extreme answer more often than Canadians did.

FIGURE 36 - RELIABILITY ANALYSIS BY COUNTRY

CODE:

Alpha=Cronbach's Alpha Reliability Coefficient For Both Groups
C=Cronbach's Alpha For Canadian Respondents
U.S.=Cronbach's Alpha For United States Respondents

	Alpha	C	U.S.
JACKSON'S PRF AND JPI			
Achievement	.44	.41	.41
Aggression	.59	.57	.63
Risk Taking	.72	.71	.70
Tolerance	.46	.43	.49
LODAHL AND KEJNER'S			
Job Involvement	.59	.58	.60
HOFSTEDE'S ITEMS			
Uncertainty Avoidance	.42	.22	.59
Power Distance	.37	.45	.14
Masculinity	.48	.34	.61
Individualism	.37	.06	.56
BLOOD'S			
Protestant Work Ethic	.63	.51	.72
SELF DEVELOPED ITEMS			
Winning	.61	.37	.78
Mastery	.58	.52	.66
Optimism	.42	.26	.57
Action Orientation	.60	.51	.69
Adaptability	.25	.24	.26
Belief in Hard Work	.62	.67	.49
Competitiveness	.52	.52	.53
Conservatism	.61	.32	.77
Equality	.23	.27	.11
Attitudes Toward Rules	.46	.05	.72
Attitudes Toward Government	.16	.18	.15

Figure 36. Reliability Analysis by Country

The above pattern led the researcher to become interested in comparing the two group's responses to the uncertain category, which was represented by respondents circling the number 3 on the 5-point scale. Interestingly, Canadians tended to respond by circling a 3 (uncertain) more often than Americans did. For the Protestant Work Ethic scale, Canadians were uncertain more than Americans in over 70 percent of the responses. This analysis suggests that the American sample did tend to respond more consistently within the group, with less variation among individual members than in Canada. It also points out that Americans are much more apt to respond in a definite way than an uncertain way than Canadians, whereas, Canadians are more apt to respond in an uncertain way than Americans. This could have an effect on the reliability scores in the two countries. The response pattern could also suggest that Americans are more opinionated than Canadians, or that they have been acculturated to be take a stronger stand with respect to their viewpoints than Canadians.

SECTION 3 - COMPARISONS OF CANADIAN AND AMERICAN EXECUTIVES

The next step in the data analysis involved determining whether there was a difference between the Canadian and American executives on the various scales and factors discussed in the previous section. This involved testing for significant differences in the mean scores for the two samples on the various scales and factors using Student t-tests. The results of this analysis are presented in Figure 37.

The discussion of the results will follow the order of the previous section, with the results from Jackson's four scales being discussed first. However, before turning to this analysis, a brief discussion of a potential problem with t-tests will be discussed, as well as how this problem was managed.

FIGURE 37

MEAN DIFFERENCES BETWEEN CANADIANS AND AMERICANS

Alpha = Cronbach's Alpha Reliability Coefficient

RESULTS		N	Mean	S.D.	Alpha	Prob.
JACKSON'S PRF SCALES:						
Achievement Orientation	C	180	6.32	1.45	.61^	.001**
	U.S.	91	6.96	1.17		
Aggression	C	180	4.64	1.76	.75^	.782
	U.S.	91	4.70	1.89		
JACKSON'S JPI SCALES:						
Risk Taking	C	180	5.50	2.05	.84^	.001***
	U.S.	91	6.52	1.79		
Tolerance	C	180	4.71	1.63	.63^	.017*
	U.S.	91	5.21	1.62		
BLOOD'S PROTESTANT WORK ETHIC SCALE:						
Protestant Work Ethic	C	176	3.58	.45	.63	.001***
	U.S.	91	3.88	.49		
LODAHL & KEJNER'S:						
Job Involvement	C	180	3.65	.52	.79^	.013*
	U.S.	91	3.82	.50		
HOFSTEDE'S SCALES:						
Uncertainty Avoidance	C	180	2.85	.45	.42	.001***
	U.S.	91	2.54	.58		
Power Distance	C	180	2.66	.48	.37	.005**
	U.S.	91	2.53	.40		
Individualism	C	180	3.16	.42	.48	001***
	U.S.	91	3.76	.55		
Masculinity	C	180	3.22	.46	.37	.001***
	U.S.	91	3.43	.52		

NOTE: * $p < .05$; ** $p < .01$; *** $p < .001$

^Spearman-Brown formula used

RESULTS					
		N	Mean	S.D.	Prob.
SELF-DEVELOPED ITEMS:					
Factor 1: Optimistic Action Orientation	C	158	-.093	.996	.042*
	U.S.	79	.187	.903	
Factor 2: Cautiousness	C	158	.194	.78	.000***
	U.S.	79	-.389	1.25	
Factor 3: Winning at all Costs Mentality	C	158	.029	.96	.526
	U.S.	79	-.058	1.08	
Factor 4: Capitalistic Orientation	C	158	-.001	1.05	.969
	U.S.	79	.004	.89	
Factor 5: Belief in Fate	C	158	-.029	1.04	.533
	U.S.	79	.057	.91	
Factor 6: Distrust of Authority	C	158	-.013	.97	.773
	U.S.	79	.027	1.01	
PROTESTANT WORK ETHIC:					
Factor 1: Pro-Protestant Work Ethic	C	158	-.214	.98	.000***
	U.S.	79	.409	.90	
Factor 2: Non-Protestant Work Ethic	C	158	-.087	1.06	.039*
	U.S.	79	.165	.86	

NOTE: * $p < .05$; ** $p < .01$; *** $p < .001$

Figure 37. Mean Differences Between Canadians and Americans

Type I Error Protection

Whenever multiple statistical tests such as the t-test are carried out in inferential data analysis, there is a potential problem of "probability pyramiding". This means that there is a greater probability of a Type I error as the number of t-tests conducted increases. In this situation, use of conventional levels of Type I error probabilities (i.e. $p < .05$) for each test in a series of statistical tests may yield an unacceptably high Type I error probability across all of the tests (Huberty and Morris, 1989:303). To correct for this factor, the significance level chosen for rejecting the null hypothesis is made more stringent by dividing it by the number of t-tests to be conducted. This was taken into account in the present study, when t-tests were conducted without any a priori hypothesis as to the outcome. This occurred in two instances, both where t-tests were being done comparing Canadian and Americans on various factors produced from factor analysis. Since the emergent factors were data driven, there were no a priori hypotheses.

Therefore, the reader should keep in mind that the results found to be significant represent the most conservative analysis. That is, if a significance level of .05 was used throughout, more of the results would have been found to be significant. This will be pointed out throughout the analysis so that the reader can interpret the findings accordingly.

Jackson's Scales

For many years, Americans have been described by non-Americans as being achievement oriented, aggressive and risk takers. The literature supports this conventional wisdom. Indeed, for three of the constructs which Jackson's scales measured -- achievement aggression, and risk taking, the literature review suggested that Americans would have a higher mean score than Canadians. Therefore, an a priori hypothesis of this research was that the above would hold true. For these reasons a one-tailed t-test was deemed appropriate. Consistent with this, the results showed that for each of these constructs the American executives had a higher mean score than the Canadian executives. However, those differences were only significant for scores on two of the three scales -- achievement and risk taking ($p < .001$). The difference between the means on the third -- aggression -- was not significant.

These findings suggest that American Chief Executive Officers are indeed more achievement oriented than Canadian Chief Executive Officers, and they also appear to be more apt to take risks. Interestingly, despite the common belief that Americans are more aggressive than Canadians, this was not the case in this research. This is particularly intriguing because one would expect that if aggressiveness was to show itself, it would among those in the business sector. However, one caveat should be mentioned. Jackson's items measuring aggression are associated with what most people would consider physical aggression. Examples of items making up the scale include "I have been known to fly into a rage if things didn't go as I had planned" and "I would never start a fight with anyone". The other items included on the aggression scale have to do with how one expresses anger or disapproval. Whether this is what most people think of when they describe Americans as aggressive is the interesting issue. If it has to do with a pushy forcefulness, the results of this measure may be meaningless. Therefore, all of the results from this research should be interpreted within their proper context -- that is, in terms of what the items from each of the scales measure as opposed to what the common notion of their label suggests.

The other Jackson scale used on the questionnaire measured tolerance. This was included to determine whether any difference existed between Canadian and American executives in their tolerance for different people, points of view, culture, etcetera. The results indicated that the American executives were significantly more tolerant than the Canadian executives ($p < .02$). This difference is quite significant if interpreted in light of the findings in Phase 1 of the research project. In Phase 1, it was found that one of the key reasons Canadian retail companies failed in the United States market was because they could not adjust their Canadian thinking and behaviors to what was needed to compete in the U.S. market. When presented with something different, they assumed that the U.S. business person and the U.S. market were the same as the Canadian. When presented with a very different situation, the executives had a great deal of difficulty accepting it. Similarly, they had difficulty learning that they needed to adjust, and how they needed to adjust in order to operate successfully in the U.S. market. Jackson's items suggest that a person with a high score on tolerance not only accepts people of different religious and racial backgrounds, but more importantly, accepts different attitudes and customs (Jackson, 1976). The Canadian retailers who entered the U.S. market, and were unsuccessful, definitely had difficulty doing this. However, this observation is not meant to imply that Americans would be more likely to do well in Canada, but only that it may be one of the reasons for the poor results of Canadians in the U.S.

Lodahl and Kejner's Job Involvement Scale

Several of the Canadian executives interviewed, as well as many consultants working in the field, have stated that American executives work harder and spend much more time at work than their Canadian counterparts. For example, executives have commented that business is done over breakfast, lunch, dinner, during intermission at the opera, and in limousines on the way to the airport. In order to determine whether there was indeed any difference in the level of work involvement of American executives than Canadian executives, a t-test of the difference on the executives' mean scores on the job involvement scale was used. The results indicated that the American respondents were significantly more job involved ($p < .013$) than the Canadian executives. Thus, it seems that there is merit to this perception.

Blood's Protestant Work Ethic

In addition to being described as more involved in their work, American executives were also described as working harder, providing better service, and having higher productivity levels. Although it is difficult to measure the concept of hard work in a behavioural sense, it is much easier to measure the attitudes that may be underlying this behavior. The scale used to measure these attitudes was Blood's Protestant Work Ethic scale. As indicated in the previous section, the scale's reliability was somewhat low, so the items making up the scale were factor analyzed. Two factors results -- one being labelled Pro-Protestant Ethic and the other Non-Protestant Ethic. The factor scores were then calculated for the Canadian and American respondents and a t-test was conducted to determine whether or not there was a significant difference between the two groups on the two factors. The results indicated that the American executives had a significantly higher score than the Canadian executives on both the Pro-Protestant Ethic factor ($p < .001$) and the Non-Protestant Ethic factor ($p < .039$). The Non-Protestant Ethic items were reversed in this analysis, so a higher score indicates disagreement. Given that the conventional level for accepting these results as significant is $p < .05$, it would be divided by 2 (the number of statistical tests carried out), making it .025. Using this more stringent value, the only significant difference is for Factor 1. Regardless, the results indicate that the American respondents have a stronger Pro-Protestant Work Ethic than the Canadian respondents.

Although the Protestant Work Ethic scale as a whole had a rather low coefficient alpha, a t-test on the difference in the means of the American and Canadian respondents was conducted for the 8-item scale as well. The results indicated that the U.S. mean on these items was significantly higher than the Canadian mean ($p < .001$). Thus, in both cases, the results indicate that the American respondents have a stronger Protestant Work Ethic than the Canadian respondents. This obviously provides statistical evidence for some of the common statements made by the executives in Phase 1 of the research.

Hofstede's Four Dimensions

As mentioned in Chapter 2, Hofstede (1980) completed a study comparing national culture in 40 different countries. Two of the countries included in the study were Canada and the United States. His results indicated that there were four major dimensions on which all 40 countries could be compared -- Uncertainty Avoidance, Power Distance, Individualism and Masculinity (1).

Although his results showed that Canada and the United States were relatively similar on these dimensions, there were some differences. Therefore, one of the goals of the present research was to determine whether or not Hofstede's findings for Canada and the United States would be replicated, or whether different results would be found.

There were two key differences between this study and Hofstede's. First, in this research, Canada and the United States were the only countries of interest. In Hofstede's study, Canada and the United States were not the focus of interest. They were merely two countries among 40 being studied.

Second, the respondents were more narrowly defined in this study than in Hofstede's. In this study, the respondents were Chief Executive Officers from several different companies, whereas in Hofstede's they were employees from various levels within one particular international company.

Finally, the national retail business culture in 2 countries (Canada and the United States) was the focus of the present research. In Hofstede's study, the focus was on national culture in 40 countries.

The respondents mean scores on each set of six items were calculated and compared for the Canadian and American groups. The results of the t-tests of the mean differences indicated that the two groups of executives were significantly different on each of the 4 sets of items. Three of these were consistent with what Hofstede had found in his 1980 study of 40 cultures. As in Hofstede's study, the American sample had a higher mean score on items measuring Individualism and Masculinity, and a lower score on items measuring Uncertainty Avoidance ($p < .005$).

The U.S. respondents having a higher individualism score than the Canadian respondents suggests that there is a more loosely knit social framework in the United States in which people are thought of as individuals responsible for taking care of themselves and their immediate families only. The Canadian responses indicate a tighter social framework in Canada in which the individual is less of a focus than the country as a whole. Several writers on Canadian and American culture, as well as the executives interviewed in Phase 1 of the research have strongly suggested that Americans are much more individualistic than Canadians. One indication is the fact that there is only approximately halt the percentage of Americans belonging to a union as there is in Canada. Similarly, the executives commented that individuals in the U.S. worked independently to further themselves and expected to be rewarded based on individual results and productivity. This was much less true in Canada.

According to Hofstede, the dominant values in a society labelled masculine are assertiveness, the acquisition of money and things, and not caring for others, the quality of life, or people. Therefore, the U.S. respondents higher score on the Masculinity-Femininity dimension is also consistent with what is typically written by those comparing the two countries, as well as with what was said among Canadian and American executives. Similarly, Canadians' higher score on the items relating to Uncertainty Avoidance indicates that Canadians try to avoid uncertain and ambiguous situations more than Americans. This is consistent with the findings on Jackson's scales indicating a much lower risk taking score for the Canadian respondents than the American respondents.

On the other hand, the results for the items measuring the Power Distance dimension were not consistent with Hofstede's findings. Hofstede found that Canada had a smaller Power Distance score than the U.S. In this study, the Canadian group was found to have a significantly higher mean score on the items measuring Power Distance ($p < .005$). Thus, it appears that the Canadian respondents are more willing to accept power being distributed unequally in institutions and organizations than the American respondents are. This finding contradicts Hofstede's findings but it is consistent with a number of other writers comparing the two cultures. The consistent view has been that Americans are more egalitarian than Canadians. Canadians tend to accept larger power differences within their society than Americans do. The present results provide support for this position.

However, the fact that the results were inconsistent with Hofstede's makes one question the reasons why. The Canadian respondents tended to be younger and less educated than the American respondents which suggests that they rose to the position of Chief Executive Officer much faster than American C.E.O.'s. This could mean that in the U.S., becoming a C.E.O. requires that executives have sufficient training in terms of education and retail experience. In Canada, other factors, such as belonging to the right family or social strata may be more important. Alternatively, perhaps this contradiction to Hofstede's findings is peculiar to the particular sample in this research. However, it appears that further research is required to identify the reasons why this interesting contradiction occurred.

Aphorisms

As mentioned in the previous section, 25 aphorisms were chosen to be factor analyzed to identify items that naturally grouped together into factors. 6 factors emerged from this analysis and were labelled in the previous section. Factor scores for the respondents were calculated and the means for the two groups of executives (Canadian and American) were tested for significant differences. The results are presented in Figure 38.

Since the six factors that emerged from the factor analysis were data driven, it was impossible to have any prior hypotheses as to how the Canadian and American samples would compare.

FIGURE 38 - FACTOR ANALYSIS: SELF-DEVELOPED ITEMS

	FACTOR SCORES		
	MEAN CANADA	MEAN U.S.	SIGNIFICANCE LEVEL
SELF-DEVELOPED ITEMS:			
FACTOR 1 - Optimistic Action Orientation	-.093	.187	.042 *
FACTOR 2 - Cautiousness	.194	-.389	.000 ***
FACTOR 3 - 'Winning At All Costs' Mentality	.029	-.058	.526
FACTOR 4 - Capitalistic Orientation	-.001	.004	.969
FACTOR 5 - Belief in Fate	-.029	.057	.533
FACTOR 6 - Distrust of Authority	-.013	.027	.773

* $p < .05$; ** $p < .01$; *** $p < .001$

Figure 38. Factor Analysis: Self-Developed Items

For this reason, as well as the fact that 6 t-tests would be conducted to test for significant differences, it was decided that the criterion for rejecting the null hypothesis (that there was no difference between the two groups) should be made more stringent. Therefore, the conventional .05 level was divided by 6 (the number of tests conducted) to arrive at a criterion level of .0083. Using this criterion, a significant difference was found for only one of the six factors -- Factor 2 (Cautiousness). The Canadian sample had a much higher mean on this factor than did the American sample, indicating a significantly higher level of cautiousness ($p < .001$). This result was consistent with both the literature comparing the two cultures, and with what the business executives had stated in Phase 1 of the research.

It should be noted that Factor 1 (Optimistic Action Orientation) would have been found to be significant if the conventional level of .05 had been used. Using the $p < .05$ level, the U.S. respondents had a significantly higher mean than the Canadian respondents. Thus, the American executives would be interpreted as more optimistically action oriented than the Canadian executives.

This chapter presents evidence which confirms that cultural differences between Canada and the U.S. do exist. Several of these differences are consistent with both the conventional wisdom, and with what was found by Canadian executives who had experienced the U.S. culture. In the final chapter, the recommendations for Canadian companies considering doing business in the U.S. will be presented, along with areas identified for future research.

Footnotes

(1) See Chapter 2 for a definition of Hofstede's four dimensions.

CHAPTER 12 - IMPLICATIONS AND AREAS FOR FUTURE RESEARCH

INTRODUCTION

The objective of this final chapter is to summarize the contributions from the research study and to develop implications for both researchers and managers. In order to meet this objective, this chapter will be organized as follows. In Section 1, the contributions of the research will be discussed along with the implications of the research for the model presented in Chapter 4. In Section 2, areas warranting future research will be proposed. Then, Section 3 will outline the implications of the research for managers considering doing business in the U.S. market. Finally, in Section 4, the limitations of the research will be discussed.

SECTION 1 - RESEARCH CONTRIBUTIONS

The findings from the research project have both practical implications for managers and theoretical implications for researchers. In this section, the discussion will focus on the latter, with the practical implications being discussed in Section 3.

During the initial phases of this study, four major bodies of literature were examined, including: attitudes and values, decision making, cross-cultural management, and Canadian and American culture. One of the major contributions of this research is that it links these four previously unrelated theoretical domains into an overall model which attempts to explain the process involved in successfully managing in another culture. Specifically, the objective of the research was to contribute knowledge to the topic of Canadian retail companies entering and successfully operating in the U.S. market, from a cultural perspective. In doing so, the study examined the relationship between national culture, executive attitudes and values, executive perceptions of the host country culture, the strategic decision making process, and performance. The conclusions from the research provided support for the conceptual model presented in Chapter 4, which guided the research study. This model is reproduced in Figure 39.

In particular, the results indicated that executives' perceptions of the U.S. culture and market were key to effective decision making processes for entering and operating in the U.S. market. The executive team's decisions were based upon their attitudes and values, as well as their perceptions of the U.S. culture and market. If these perceptions were accurate, then the decisions incorporated accurate information and were likely to be appropriate for the U.S. market. If inaccurate, the decisions made were likely to be inappropriate for that market. Thus, the link between perceptions and executive decision making was strongly supported (1).

The study also draws a link between culture and decision making that has not been previously established. A major gap in the decision making literature that it has not addressed the impact of outside or extraneous factors, such as culture, on the decision making process. Although factors such as culture have been identified by some researchers as being important, no one has actually examined their effects on decision making. Therefore, this study expands upon existing research in two ways -- it provides support for the effect of perceptions on the decision making process, and it shows how the culture executives live in can affect their perceptions as well as the decisions they make.

Although the research provides support for each of these linkages in the model, it also suggests that the model should be expanded to include two additional variables. The revised model is presented in Figure 40.

Both new variables involve learning about the U.S. market. First, regarding the relationship between the executives' perceptions of the host country culture and their strategic decision making behavior, a new variable, knowledge of the U.S. target retail market, is necessary. While it was important for Canadian executive teams to accurately perceive the U.S. as being different

FIGURE 39

THE CONCEPTUAL MODEL

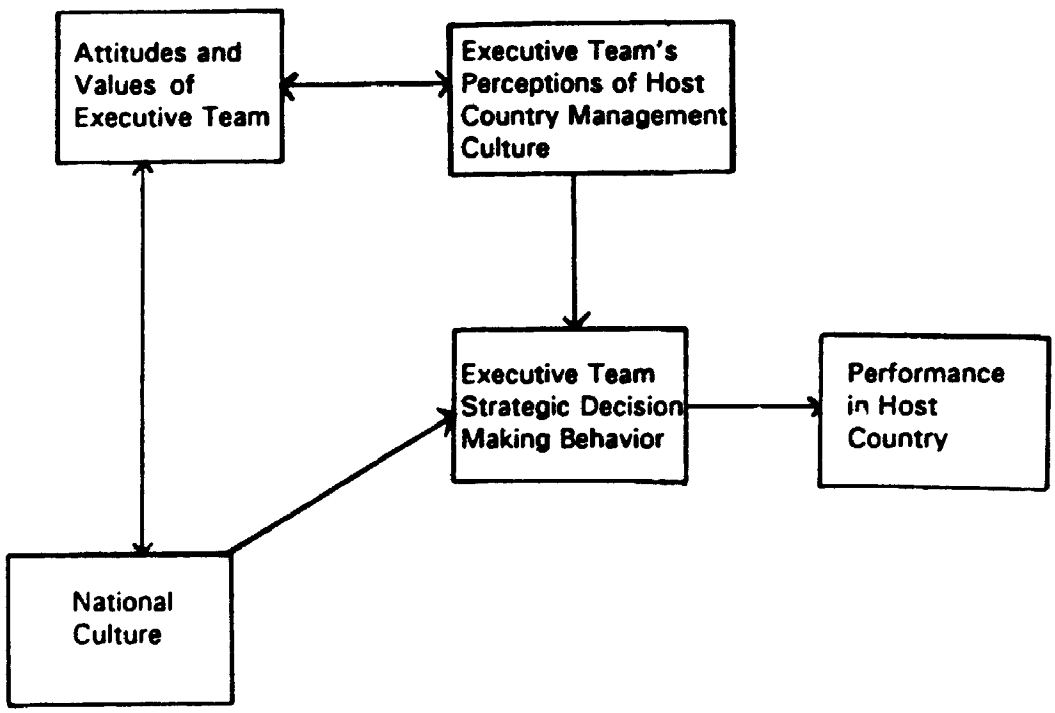

Figure 39. The Conceptual Model

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than Canada, and to incorporate this into their strategic decisions made for the U.S. market, it was also important that the decisions made for the U.S. market incorporate knowledge of that market. That is, it is not sufficient for executives to simply perceive there to be differences -- they must know and understand what these differences are.

FIGURE 40 - REVISED CONCEPTUAL MODEL

INCLUDES TWO NEW VARIABLES:

1. KNOWLEDGE OF U.S. TARGET RETAIL MARKET
2. LEARNING - SINGLE LOOP/DOUBLE LOOP

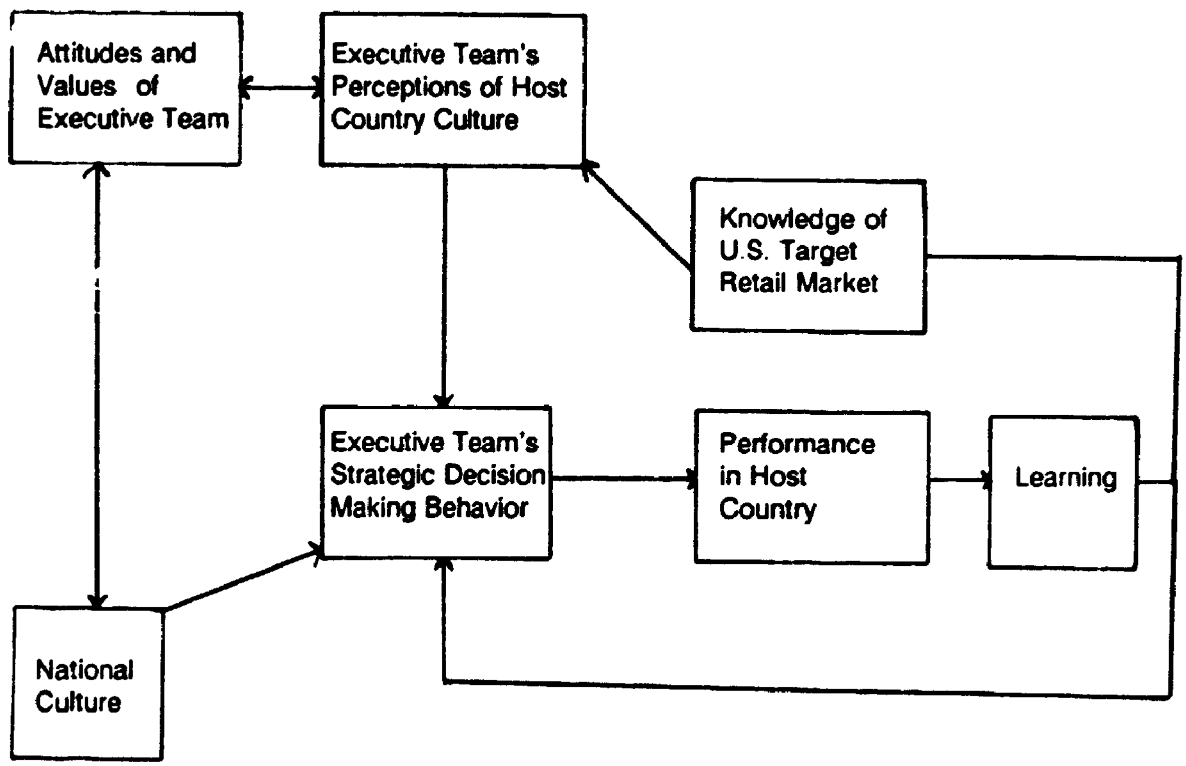

Figure 40. Revised Conceptual Model

Understanding these differences requires gaining knowledge about the U.S. market prior to entry. Knowledge can be obtained in three ways. First, Canadian executives can gain knowledge about the U.S. market by directly experiencing it. However, this can be costly and time consuming. Moreover, direct experience does not necessarily ensure that executives will gain knowledge and understanding of the U.S. market, as the Mark's Work Wearhouse case pointed out. After operating for six years in the U.S. market, the company's executives were still confused as to the keys to success in that market Second, executives can gather information about the U.S. target retail market through research prior to entry. However, it should be pointed out that information is not the same as knowledge. Unless collected by those who know what type of information to collect, and how to interpret it, the information gathered may be useless. Finally, executives can gain knowledge about the U.S. market from American management experienced in the U.S. target retail market. The results indicate that this is the easiest and the most effective means of gaining knowledge about the U.S. market.

The reason why it is best to learn from those experienced in the target retail market relates back to national culture and its affect on our attitudes, values, behaviors and institutions. Executives from Canada become accustomed to doing business in certain ways that they have learned throughout their lifetimes. This view of the appropriate way to conduct business is firmly embedded in the minds of executives from each culture, making it difficult for them to approach another culture market in a different way, especially one perceived by many to be very similar to the Canadian. As a result, the Canadian frame of reference caused several of the executives to assume that the U.S. market was the same as the Canadian. In addition, all of the decisions made relating to the U.S venture incorporated this inaccurate perception. Although they researched the market prior to entry, their initial perceptions prevented them from translating the information gathered into knowledge of the U.S. target retail market. Their initial perceptions led them to either gather the wrong information or to interpret it from a Canadian reference point. In any case, their initial perceptions inhibited their ability to learn (learning represents the acquisition of knowledge) about the U.S. market. Thus, the research provides evidence supporting the importance of the pre-entry orientation and perceptions of the top executive team in the strategic decision making process.

The concepts discussed in Chapter 3 are very helpful in understanding this situation. A summary of these concepts is presented in Figure 41.

Using the concepts from Chapter 3, the Canadian executives that were unsuccessful in the U.S. market possessed certain Canadian-based perceptions, attitudes, values, preferences, and belief structures that (1) acted as filters through which they perceived, processed and simplified information about the U.S. market, and (2) greatly inhibited their ability to learn about and understand the U.S. market. As a result, the decisions were made on culturally influenced perceptions as opposed to objective reality. Consequently, the decisions made were inappropriate for that market. However, despite evidence to suggest that their initial belief structures no longer fit with the objective environment, the Canadian-based belief structures were so strong that they continued to operate and influence any subsequent strategic decisions made.

In one case, Mark's Work Wearhouse, the initial belief structure on which decisions were based never changed, and the company was forced to withdraw from the U.S. market. Therefore, it prevented them from learning about the U.S. market even though they directly experienced it. In the other case, Canadian Tire Corporation, the initial belief structure eventually broke down, causing the necessary fundamental change in management beliefs and strategy. However, as Donaldson and Lorsch (1983) suggest, this fundamental change was stimulated only after the company's executives were faced with severe objective economic and financial constraints, threatening their survival in the U.S. market. In summary, this research points out how culture can influence executives' attitudes, values, belief structures, etcetera, which can affect the ability of executives to perceive and learn about another culture.

FIGURE 41 - SUMMARY CONCEPTS FROM CHAPTER 3

A manager's attitudes and values can affect his/her strategic decision making behavior. They:

- determine how executives interpret their environment
- act as filters through which managers process information
- affect preferences leading managers to prefer certain outcomes/options over others
- affect perceptions of their environment and their interpretation of information
- act as a basis for cognitive simplification processes
- create belief structures which may act as blinders to the strategic decision making process

Potential Consequences:

- in organizations, survival is threatened when the belief structure and value system executives have been operating with no longer fits with the objective environment. Unless adjusted, company's survival is threatened.
- when perceptions do not reflect actual environmental conditions, this imbalance can lead to failure.
- executives may become blinded to the reality they are facing, and base their strategic decisions on their perceived reality.

The culture a manager lives in can affect his/her attitudes and values:

- culture strongly influences and, in many cases, determines our perceptions and interpretations. That is, we learn to see the world in a certain way based on our cultural background.

- each manager had been socialized relative to the larger society/culture in which he/she was raised

- cultural factors represent the broader society in which the business operates

- managers learn to see the world in a certain way based on their cultural background

- culture strongly influences the attitudes and values of those socialized in the culture

- culture has a hidden, yet pervasive impact on behavior

- as a result of different mental programming, people from various cultures often see situations differently, and have different approaches and solutions to problems

Potential Consequences:

- similarly, while culture does not affect our ability to manage within our own culture, because most people will conduct business very similarly, it can affect our ability to manage in other countries/cultures

- can lead to cross-cultural misinterpretation

- a strong belief in our own values can breed an unreceptiveness to others' values and ways of doing business

- culture can act as a barrier to accurately understanding the objective environment

Figure 41. Summary Concepts from Chapter 3

Moreover, perceptions determine whether executives will make the right decisions with respect to gaining knowledge about the U.S. market. Executives perceiving the U.S. to be the same or very similar to Canada made their decisions based on inaccurate information and assumptions about the U.S. market. Executives perceiving the U.S. to be different than Canada took the necessary steps to gain knowledge and learn about the U.S. market. Thus, the model now incorporates this knowledge variable which illustrates the importance of learning about the U.S. market prior to entry.

It should be noted at this point that the challenge of the above findings for managers is not to eliminate the Canadian belief structures/frame of reference, but rather to learn to circumvent their hazards and employ them effectively. As long as executives are operating within Canada, and as long as external conditions do not change dramatically, culture provides guidance to managers as they make complex decisions. It is an invaluable aid to speedy and coherent strategic decisions. The real challenge for managers is to encourage flexibility while still respecting and valuing their culture. Awareness of these beliefs is key -- a prerequisite to achieving this balance -- and will be critical to corporate survival in the dynamic decades ahead. The implications for managers will be dealt with in depth in Section 3.

The research findings also suggest that a second variable be added to the model. In addition to the learning that must take place in terms of gaining knowledge prior to entry, decision makers must also have the ability to learn while operating in the U.S. market. Two types of learning identified by Argyris and Schon (1978) -- single-loop and double-loop learning have been added to the model. In both the unsuccessful cases, executives were only able to learn in a single-loop fashion. That is, they would detect error in the U.S. market by examining their performance in that market, and they would attempt to correct it by making new decisions. Mark's Work Wearhouse continued with this pattern of decision making until they withdrew from the U.S.

market. Canadian Tire began with this same process, but eventually their dismal performance (error detection) caused them to question the foundation upon which their decisions were being based. This foundation incorporated the perception that the Canadian and American markets were the same and the assumption that organizations in the two countries could be managed in the same way. Once confronted, the executives realized that this was an inappropriate base from which to make decisions for the U.S. market, and they adjusted it to fit with the objective environment they were facing. The executive team's decisions were also radically changed to reflect this reality. Thus, Canadian Tire experienced double-loop learning.

A similar situation occurred with Peoples Jewellers. During their first experience, the executives did not question the foundation upon which their decisions were based, and they continued to make inappropriate decisions for the U.S. market. The poor performance their first time in the U.S. market caused the executive team at Peoples Jewellers to question the foundation of its decisions. The new foundation was based on an understanding that the two markets were different and that organizations in each of the two countries must be managed differently. Decisions made for the second U.S. venture were based upon this accurate foundation.

The Grafton Group based its decisions on an initial accurate foundation. The challenge for the U.S. decision makers was to continue to learn while operating in the U.S. market. The executive team continued to double-loop learn as it entered new regions of the U.S. market which were very different than those it had been accustomed to operating in. That is, the executive team was forced to question the underlying foundation of its decisions for the new locations of the U.S. market, to ensure that they continued to operate effectively.

The model represents an attempt to incorporate both types of learning. For single-loop learning, the feedback loop feeds directly back into the strategic decision making process. No real knowledge or understanding of the U.S. market is gained, but an attempt is made to adjust the decisions that are creating problems for the U.S. operation. For double-loop learning, there are two feedback loops. One feeds directly back to the perceptions of the top executive team. The other feeds into knowledge which, in turn, affects executive perceptions. In both cases, the decisions made, and their appropriateness for the U.S. market, will be affected by the type of learning that takes place.

This new variable called 'learning' is also related to the concepts discussed in the literature review presented in Chapter 2 on individual attitudes and values. A summary of the relevant concepts is presented in Figure 42.

Several of the concepts from Chapter 2 can contribute to our understanding of organizational learning. Chapter 2 points out that attitudes and values are learned, they affect behavior, and they are very difficult to change. Individuals can learn in two ways: through direct experience with the attitude/value object, or vicariously by modeling the behavior of others. Therefore, the way Canadian retail executives do business in Canada is learned through their direct experience in the Canadian retail industry and through modeling the behavior of others in the same (and perhaps other) industry(ies).

Attitudes and values, once formed, are very difficult to change. National attitudes and values are among some of the most difficult to change, given the variety and strength of the influences from which they are learned. For such change to occur, the process must begin with some sense of being thwarted. Next, individuals must be faced with evidence that contradicts their attitudes/values, to eliminate their resistance to change. That is, a state of disequilibrium must be created to produce the tension necessary to change an attitude or value. Therefore, when Canadian executives entered the U.S. market, they did so possessing certain Canadian attitudes, values and business behaviors. After years of learning and behaving in accordance with these Canadian-based attitudes and values, it is easy to understand how they may continue to affect

FIGURE 42 - SUMMARY CONCEPTS FROM CHAPTER 2

Formation of Attitudes and Values

Attitude and values are learned through:

1. direct personal experience with the attitude object
2. observing and imitating others (vicariously)

The Attitude--Behavior Relationship

Attitudes and values affect behavior, but this relationship is affected by:

1. personality factors
2. the way the attitude/value was formed (if formed on basis of direct, behavioral experience with attitude object, they are more predictive)
3. the importance of the attitude/value, the confidence with which they are held, and how clearly defined they are

Attitude/Value Change

Once formed, attitudes and values are very difficult to change.

Attitude/value change is affected by:

1. integration - attitudes/values which are integrated into one's belief system are more difficult to change

2. differentiation - attitudes/values containing a number of different beliefs or cognitive items are more difficult to change

3. relatedness - attitudes/values that are related to other attitudes/values are harder to change than if they are different (unrelated)

4. intensity and generality - the more intense and general the attitude/value, the more difficult it is to change

5. individual receptiveness to information - attitude/value change is easier with those who are receptive to new information and who are more open-minded

Changing attitudes and values involves a process of learning, but it is more complex than during their initial formation:

1. process must start with a sense of being thwarted

2. pre-existing attitudes must be found to be unsuitable, so they are no longer resistant to new attitudes

3. disequilibrium is induced when a person becomes aware of certain contradictions in his/her total belief system

4. disequilibrium creates dissatisfaction which leads to a reorganization of remaining attitudes and values and, possibly, attitude/value change

5. the more central the part of the attitude framework affected by the induced change, the more lasting and pervasive its affects should be

Figure 42. Summary Concepts from Chapter 2

their behavior in a different market. This is especially true since individuals are often unaware of their national attitudes, values and behaviors until they travel elsewhere. It is also easy to see how decisions for that new market will be based on, or affected by, the Canadian attitudes, values and behaviors. Once operating in the U.S. market, it takes a great deal of contradictory evidence to produce the state of disequilibrium necessary for attitude change. In fact, in the Mark's Work Wearhouse case, these attitudes, values, and behaviors never did change significantly. However, in Canadian Tire and Peoples Jewellers, a disequilibrium was created causing attitudes, values and behaviors to adjust so that they fit with the new situation. In the Grafton Group, the key decision maker was a very open-minded individual, who allowed for the possibility of differences between the U.S. and Canada from the outset. Chapter 2 mentions personality traits such as open-mindedness as being key to attitude change.

Once in the U.S. market, attitudes changed once executives learned about the U.S. market. In the Canadian Tire and Peoples Jewellers (the first experience) cases, the executive team learned through direct experience in the U.S. market. In Peoples Jewellers (the second experience) and the Grafton Group, the executive team learned about the U.S. market from American executives who had directly experienced it. Therefore, the learning took place vicariously. Irving Gerstein also learned the second time from direct experience on the Zale Board of Directors. Although Mark's Work Wearhouse attempted to learn from direct experience in the U.S. market, the necessary learning did not take place.

The current research suggests that not only are individual attitudes, values, beliefs, and perceptions important influences on behavior, but so is national culture, in that it bounds our decision making processes. This becomes increasingly important in a global market place, as executives must make decisions for competing in other countries and cultures.

However, the individual learning concepts do not entirely explain the results of the present research study. The individual level analysis of learning suggests that when sufficient evidence is presented that contradicts an individual's attitude or value, the attitude or value will be changed to produce a state of equilibrium. Although it recognizes that a great deal of evidence is often required to create a disequilibrium, it does not deal with other factors that may affect attitude change besides an individual state of disequilibrium.

The findings from this study suggest that one of the factors responsible for lack of change in the attitudes, values and perceptions of the executives may have been related to the dynamics involved in team decision making. Changing one's intial perception that the U.S. and Canadian markets were the same, would require that one learn about the differences. Yet, when faced with evidence suggesting great differences, several of the executives continued to believe in their initial attitudes and perceptions. One explanation for this has been provided: their own culture, attitudes and values blinded them to these differences. However, an alternate explanation suggests that although individual team members may have learned about these differences, and changed their attitudes and perceptions, the team may not have, due to the nature of certain group dynamics. In every case studied, the Chief Executive Officer was the person primarily responsible for the decision to enter the U.S. market. Similarly, it has been pointed out that the Chief Executive Officer's initial attitudes and perceptions were also those of the team. This suggests that the team may not have benefitted from individual differences in attitudes and perceptions prior to entry, or post-entry, due to the fact that the Chief Executive Officer made his views known. Therefore, this study points to a potential link between team dynamics, such as the relative power of team members or groupthink, on an organization's ability to learn and adjust to its environment. Thus, individual learning and group (or organizational) learning are very different things. However, before this link can be established, future research must be conducted.

Related to the dynamic or process components of team decision making, this research also addressed the structural components. A great deal of the decision making literature suggests that strategic decisions within companies are made by teams. The results of this research indicated that while a decision making team was identified in each case analyzed, the major strategic decisions were not made by teams, but rather, by the Chief Executive Officer, who then involved other executives to confirm the decision and/or implement it.

Finally, this research contributes a great deal to the literature comparing the Canadian and American cultures. One of the major problems with the literature to date is the lack of empirical data comparing Canadians and Americans on a variety of cultural dimensions. The results from the study provide evidence that there are significant differences between Canadian and American Chief Executive Officers. Several of these differences were corroborated with interview data from Canadian and American executives who had experienced the two cultures.

SECTION 2 - AREAS FOR FUTURE RESEARCH

Upon completion of this research project, several areas were identified for future research which would expand upon the findings and information presented. First, it would be interesting to compare and contrast the findings from this research with a study of U.S. companies entering the Canadian market, to determine their success rate, performance level, and the critical factors involved. American executives could be asked about their perceptions of the Canadian market prior to entry, in terms of culture and business practices, and whether the cultural factor played a role in their success or failure in the Canadian market. They could also be asked questions in an attempt to ascertain whether they had the same problems as Canadians in the U.S. market, or different ones.

Similarly, one could study retailers from other countries entering the U.S. market. Particularly interesting would be smaller countries entering the larger U.S. market, so that their experiences could be compared with the Canadian experiences. Since the U.S. is the largest and most important market available for foreign direct investment, it would be useful for managers from various countries to understand how to successfully compete in it.

A further area of research could involve comparing and contrasting the findings of Canadian retail companies with the experiences of companies from other industry sectors to identify both general factors critical to entering the U.S. market, and factors specific to industry sectors. Currently, a series of case studies are being completed at the National Centre for Management Research and Development at the University of Western Ontario, involving Canadian companies from the insurance and manufacturing sectors, who have entered the U.S. market.

Remaining within the retail sector, Canadian retailers entering countries other than the U.S. could be studied, to provide an understanding of how to improve the effectiveness of the Canadian retail sector in a global market place.

Furthermore, research into other factors important in entering and doing business in the U.S. market besides culture and decision making processes would be very useful in building upon what has already been done. Recently, the results from eight case studies in the retail industry were combined to seek insights into entering and adapting to the U.S. market. A useful project would involve combining these findings with the findings of this research project to develop additional insights and conclusions.

On a somewhat different note, future work could be done in improving the cultural questionnaire used in this research project and using it to measure cultural differences in other industries, in subcultures of Canada and the U.S., or to measure cultural differences between Canada (or the U.S.) and other countries.

Also related to culture, one potential area for future research could attempt to link the cultural differences found in this research between Canadians and Americans, with specific managerial behaviors in each country. The link between the cultural differences between Canada and the U.S. and how these differences affect behaviors within the two countries was based on executives' perceptions. This could be studied more objectively by analyzing specific managerial behaviors within each country for differences. One example could be managerial behavior related to risk.

Another interesting issue created from this research study concerns organizational differences in their abilities to learn. What makes some organizations learn faster than others? This would involve research into the process involved when organizations learn. Related to this is the issue of what differentiates organizational learning from individual learning? Also, what differentiates individuals in their ability to learn? Furthermore, do team dynamics, such as groupthink, affect an organization's ability to learn? The literature to date contributes little to our understanding of how organizations learn, of factors affecting organizational learning, or how to improve an organization's capacity to learn.

Finally, further research into both the dynamics and the structure of team decision making would be useful. Using the same top management teams, it would be interesting to learn whether the dynamics that took place within the teams were peculiar to the strategic decision to enter the U.S. or whether they occurred in all decisions. Also, was the structure used in other decisions the same as the structure used to make the decision to enter the U.S. (i.e. are all decisions C.E.O dominated?). In addition, what is the best team structure for managing decisions for entering another culture? What types of backgrounds are most effective -- heterogeneous/homogeneous backgrounds, a combination of decision makers from each culture?

SECTION 3 - IMPLICATIONS FOR MANAGERS

The aim of this section is not to provide a checklist for managers but, rather, to facilitate thought among managers considering entering the U.S. market. The overall objective of this section is to help Canadian retailers to successfully compete in the U.S. market, by helping them learn about the U.S. market from a cultural perspective, and to identify factors contributing to effective decision making processes for the U.S. venture. Although some of the points made may seem obvious, the results of this study indicated that several very successful Canadian retailers failed to consider these issues or did not give them adequate attention.

Cultural Implications For Managers

There were two major findings from this research from a cultural perspective. First, the results from the interviews as well as from the questionnaire clearly indicated that there are significant cultural differences between Canada and the United States. An in-depth discussion of these cultural differences can be found in Chapter 11. The interview and conference data also revealed that these cultural differences between Canada and the U.S. created obstacles to competing in the U.S. market, through their affect on business behaviors and practices. There were five major areas in which cultural differences were perceived to affect business behaviors and practices. These five included differences between Canada and the U.S. in:

1. employee and management behaviors
2. relationships with suppliers, customers and other business persons

3. consumer/customer behavior
4. level of competitiveness
5. regional disparities

A detailed discussion of these can be found in Chapter 9. The results from this study provide an excellent source of information regarding cultural differences between Canada and the U.S. as well as their effects on business practices.

The second major finding relates culture to the decision making process. The research identified that a major factor differentiating the successful and unsuccessful performance of Canadian companies in the U.S. market was the ability of the Canadian decision makers to recognize these cultural differences prior to entry, and to incorporate them into the decision making process. The findings and implications related to the latter point will now be discussed.

Implications for Effective Decision Making Processes

One of the major conclusions from the research concerned the importance of the pre-entry requirements of the top management team in the decision making process for entering the U.S. market. If the pre-entry aspect of the decision making process is faulty, the remainder of the process is likely to be ineffective. For this reason, the focus of the implications for managers will address this pre-entry period. Important requirements prior to entry are the following:

1. Appropriate Pre-Entry Orientation:

a) Recognition that the U.S. is Culturally Different than Canada

Executives should pay attention to the cultural differences between Canadians and Americans as they affect several aspects of doing business in the U.S. market (see above). In fact, it is suggested that executives consider the U.S. market as a foreign market/culture, and treat their decisions with respect to the U.S. market as they would a foreign market. Executives should not assume that the two markets are the same, or that companies within each can be managed in the same way. When decision makers start with this assumption, they are more likely to take the appropriate steps toward entering the U.S. market.

Indeed, the research clearly indicated that the success of the decision making process relies on the accuracy of the information of those making the decisions. When the decision makers misperceived the U.S. environment, they reacted inappropriately and needlessly expended resources by implementing decisions based on faulty information. Perceiving similarity between the U.S. and Canada, made the Canadian decision makers calm, assuming that they were dealing with a certain environment. The perception of similarity and certainty led them to ignore taking precautionary measures that those perceiving difference and uncertainty did. Because they were not expecting it, they also lacked the readiness to adapt that the perception of uncertainty may bring. Then, when culture shock and obvious discontinuities occurred, these managers reacted too late to exploit them, or so late that they experienced great losses in trying to make the adjustment. In either case, they could not survive.

Therefore, Canadian organizations which recognized the U.S. market as being different from the Canadian market achieved a higher level of performance in that market than organizations that perceived or projected a high degree of similarity. In addition, organizations that perceived similarity (1) misperceived the U.S. market, (2) made inappropriate decisions for that market, and (3) performed poorly in the U.S. market and could not survive in it. Organizations that recognized there were differences (1) perceived the U.S. market accurately (2) made appropriate decisions for that market and, (3) achieved a high level of performance in the U.S. market.

b) Team Structure For Making Decision to Enter U.S.

A significant finding from the research was that the Chief Executive Officer was the dominant person making the decision to enter the U.S. market in all cases. Although other key executives were involved in the decisions related to the U.S. venture, the original decision was dominated by the C.E.O. As a result, his initial perception about the similarity of the U.S. market was key in determining the effectiveness of the remainder of the decision making process. In companies where the C.E.O. understood or had knowledge of the U.S. market, this knowledge was incorporated into effective decisions for the U.S. venture. Similarly, where the C.E.O. had inaccurate perceptions and assumptions about the U.S. market, the decisions made incorporating them were ineffective. This implies that it is very risky to allow only one person (or two) to make a decision of such magnitude. For this type of strategic decision, group participation seems essential, as there is a large margin for error. Diversity of opinion could be advantageous in decisions such as this to ensure that all the pros and cons are analyzed. No one person necessarily has all the knowledge necessary to make an effective decision. Therefore, the implication is that the decision to enter the U.S. market should be made by a group of management team members. And, it follows that, if individual contributions are necessary, it is important that a climate be created which encourages innovative ideas, risk taking and honest leveling between managers in their conversations with one another. This will be dealt with in more detail in c).

c) Positive Team Dynamics During Pre-Entry Decision Making Process

Connected with the above finding that the decision to enter the U.S. market was generally made by one or two person(s), it was also found that the team dynamics operating around the U.S. decision were not optimal. This was evidenced by the fact that no one disagreed with the decision of the C.E.O. to enter the U.S. market, nor did they raise any related issues that were in disagreement with the C.E.O.'s perceptions of the U.S. market. It is possible that there was no difference in opinion among the top management team members in the four companies. However, the four companies studied, as well as other companies considering entering the U.S. market could benefit from encouraging individual team members to critically analyze every major strategic decision to highlight potential weaknesses.

Executives must strive to understand that their behavior is influenced by a set of values which may be appropriate for the Canadian culture only. Chief Executive Officers should be aware that they are programmed with a set of values which cause them to behave in ways that are not always conducive to getting subordinates to discuss ideas frankly with them. They should find the time to uncover, through careful observation and questioning, their impact on others. The aim is to make their colleagues more flexible in dealing with them.

To maximize individual contributions, the role of the C.E.O. is to establish, build and maintain an effective decision making network. This requires exploring how the group presently functions. To do this, group members should be asked how to make the group more effective; and how to alter conditions leading to group ineffectiveness. People who truly level should be rewarded. Team members should be encouraged to play devil's advocate to avoid the perils of groupthink. All assumptions and biases should be stated. Team members should be encouraged to challenge perceptual biases and present diverse opinions, and these challenges and dissenting opinions must be considered for the decision making process to be effective. One way to maximize dissent is to structure the team with those of differing backgrounds. In addition, group decision making meetings could be recorded to utilize feedback. Overall, the C.E.O. must encourage open discussion, dissent, and opposition to prevent groupthink.

However, often individual team members have difficulty making changes to team dynamics on their own. If the top management team dynamics cannot be improved to promote effective decision making processes, the company should hire an objective person from outside of the decision process to help them.

2. Decision To Enter U.S. Market

a) Must be a desire to do business in the U.S. market.

Executives should make clear their reason for entering the U.S. market. The reason should not be to expand the Canadian concept to a bigger market. In many cases, the Canadian concept cannot be transferred to the U.S. market. Therefore, the decision to enter the U.S. should be made because the Canadian executives want to do business in the U.S. market.

b) Must be commitment to doing business in the U.S. market.

The decision to enter the U.S. market should be viewed and treated as a major strategic decison of priority to the Canadian company. To ensure commitment to this decision, it appears best if the decision to enter the U.S. is initiated from within the company. Similarly, Canadian executives must be prepared to commit the necessary financial and managerial resources to the U.S. venture. They must realize that it will take a lot of both. That is, there appears to be a longer time line to success in the U.S. market requiring substantial financial resource commitment, and the difficulty of doing business in the U.S. means that it is necessary to commit the time and energy of top Canadian executives to the U.S. venture. Ideally, executives should have a commitment to succeeding in the U.S. market. In the words of Mark Blumes from Work Wearhouse, "You have to be prepared to put your heart and soul into it."

c) Must not be a time pressure on decision to enter U.S. market.

It is important that companies planning to enter the U.S. market are not under any time pressure to do so. It is vitally important that Canadian companies are prepared to enter the U.S. market, and this requires time to plan for entry. The pre-entry aspect of the decision making process is crucial to longer term success in the U.S. market. Once in the U.S. market, there is little or no time to learn about that market, as the focus is on surviving and competing in it. Therefore, it is recommended that companies eliminate any time pressure to enter the U.S. market.

3. Must Understand/Have Knowledge of U.S. Market.

In order to compete successfully in the U.S. market, Canadian executives must recognize that the Canadian and U.S. markets are very different culturally, but they also must understand the U.S. market in order to make decisions that are appropriate for that market.

However, a key finding of the research was that gathering information about the U.S. market does not necessarily lead to knowledge of that market. In addition, directly experiencing the U.S. retail market does not always ensure that executives will learn about it. This method can also be both timely and extremely costly to firms. There is only one way that Canadian companies can be assured of gaining knowledge and an understanding of the U.S. market. This involves learning from those already experienced in it -- American managers. It appears that to gain knowledge necessary to compete in the U.S. market, Canadian companies should hire American management talent, experienced in the U.S. target retail market. This involves an understanding of the targeted consumers, the competition, the competitive intensity the supplier situation, and regional differences among other factors. In addition, Canadian companies considering transferring the Canadian concept to the U.S. market must make sure that an American (or perhaps an American consulting company), experienced in the target retail market, investigates the appropriateness of the Canadian concept for the U.S. market. This is necessary to ensure that the right questions are asked, the right information is collected, in the right way, etc. Having Canadian executives collect this information is dangerous because they tend to approach the U.S. market with a Canadian frame of reference. As a result, they often gather information, but not knowledge. Then decisions made which are based on this information are ineffective for the U.S. market.

4. Decisions Made Must Incorporate Knowledge of U.S. Market.

A clear finding from the research is that the decisions made by the top management team members for the U.S. venture are affected by their perceptions, assumptions and understanding of the U.S. market at the time of the decision. This suggests how important it is that this understanding represent accurate knowledge of the U.S. market at the time the key decisions are made. The more accurate their understanding of the U.S. market, the more likely decision makers are to develop an appropriate competitive strategy. Unless the Canadian executives have knowledge based on direct experience in the U.S. market, it again is advisable that they involve American executives, who have experience in the target retail market, in the decisions for the U.S. market. However, this will be discussed further under the mode of entry and structure for managing U.S. decisions sections.

5. Decisions Made For Entry

a) Acquisition is Preferred Mode of Entry.

Once the decision is made to enter the U.S. market, the results indicate that the acquisition of profitable companies in the U.S. have a better chance of success than either greenfield operations or acquisitions of unprofitable companies. There are several reasons for this. First, greenfield operations appear to present too many difficulties for Canadian companies attempting to compete in the U.S. market. The difficulties encountered include the following.

First, entry barriers create cost disadvantages and make growth difficult putting Canadian retailers at a competitive disadvantage. U.S. retailers have superior consumer and competitive awareness; well-developed supplier relationships; access to good locations; and developed marketing skills and market share. Canadian retailers are faced with high advertising costs, restricted access to good locations, and lack of buying clout with suppliers. In addition, once the Canadian operation in the U.S. becomes bigger than one or two stores, U.S. competitors begin to retaliate, making it almost impossible to compete.

Second, it is difficult to attract top performing U.S. management talent to greenfield operations due to low market clout. The importance of such management talent was discussed above. Canadian companies cannot succeed without these people unless its Canadian management has had direct experience in the U.S. target retail market.

Third, there are long time lines to success due to the required learning and growth periods, making it necessary to absorb negative cash flows for long time periods.

Fourth, although a greenfield site could be used to pilot test a Canadian product mix in the U.S. market, and to examine consumer response, it is inappropriate for assessing competitive response. The reason is that once a Canadian company begins to threaten the market share of U.S. companies, they retaliate in a way that produces a significant barrier to entry. With only one store, there would be little or no threat to U.S. firms' market share, so the competitive nature of the market would not be clear.

In making an acquisition, it is important to purchase a profitable company with a good market position and image for the following reasons. First, they are more apt to have good store locations, a favorable company image, strong supplier relations, strong management and personnel, budgeting, control and information systems that provide timely information and feedback on the success of present strategies. Second, to turn around an unprofitable company can be expensive, requires strong marketing talent, a good understanding of the market and strong supplier relations.

The main problem with acquiring a profitable U.S. company is that it is usually expensive. Multiple bidders act to drive up the price of such companies. Therefore, it is important for Canadian companies to make sure that the price of the acquisition (and the interest expense) does not exceed the expected returns. It is also advisable that Canadian companies acquire a company in the U.S. with a complementary business to their own. This makes control and integration of the two companies easier if Canadian executives already understand the business.

b) Structure For Managing U.S. Decisions

The ideal structure for managing U.S. decisions appears to be a combination of Canadian and American management. One of the most important findings was that the decisions made for the U.S. venture must incorporate knowledge of the target retail market in the U.S. Therefore, it is crucial that those closest to the U.S. market and with knowledge of it make the decisions. For this reason, it is best if U.S. management are granted the autonomy to make the day-to-day decisions for the U.S. venture, to ensure that they fit with that market. They are best qualified to diagnose problems and to determine solutions. However, this does not preclude the involvement of Canadian management in U.S. decisions. The role of the Canadian top management team is to achieve integration and control of the U.S. operation, to manage the decision making process, to lay out the framework for making decisions, and to offer a fresh perspective to further ensure that the decisions made for the U.S. venture are good ones. Control can be achieved in a variety of ways, such as requiring that major U.S. decisions pass through the Canadian Board of Directors, having Canadian managers directly involved in the management of the U.S. company, or having Canadian management in direct contact with the management of the U.S. company. However, all decisions made should incorporate the input of those experienced with the U.S. market.

The major implication of this finding for Canadian managers is that they must be sure that they choose U.S. management that they have trust in.

6. Set Specific, But Realistic Goals for U.S. Venture

The research indicated that companies with top management teams which set specific, but realistic goals for the U.S. operation, during the pre-entry decision making process, were more successful than companies with top management teams which did not. There are three advantages to setting goals. First, the process requires the top management team members to think through the requirements of success in the U.S. market, in terms of the time, money and effort necessary. This process itself could lead to a better decision about whether or not they should enter the U.S. market and, if so, how. Second, the process can lead to greater commitment toward achieving the goals set. Commitment to succeeding in the U.S. market is crucial to success. Finally, goals provide a standard for measuring how the operation is doing. When people know what they are aiming toward, they can more easily monitor their progress, or lack thereof. Without any specific goals, it is very difficult to assess where the company should be. This ties in with the ability of companies to learn about the U.S. market, discussed next. If specific goals are set, people understand when they are off track. The distance from the target acts as a signal pointing to problems. It acts as a built-in feedback mechanism to management, calling into question previous decisions and assumptions.

7. Management must have the Ability to Learn about the U.S. Market

Those making the decisions for the U.S. operation must have the ability to learn about the U.S. market, and they must incorporate this learning into the decisions made for the U.S. operation. This is important at three times during the decision making process: pre-entry, entry, and post-entry. During the pre-entry phase, Canadian management must accept that there are differences between Canada and the U.S. and they must learn about these differences from U.S. management who have had experience in the U.S. market. This learning must be incorporated into the initial strategic decisions made for the U.S. operation. Once the initial decisions have been made for the U.S. market, those making the decisions for the U.S. operation must continue to be able to learn about the U.S. market. During the entry phase, decision makers must be open to learning from their mistakes. This involves both single and double-loop learning. Finally, ongoing learning is required during the post-entry phase. Because conditions are always changing, it is important that decision makers continue to learn about the U.S. market and incorporate this learning into the decision making process. Understanding the U.S. market is an ongoing process. Therefore, the more effectively a company's decision makers learn, the more likely they are to continue operating successfully in the U.S. market.

There are a number of suggestions to increase the ability of decision makers to learn. An organization must learn through the medium of its individual member's insights. For insights to occur, decision makers must do the following:

-watch for biases and assumptions when information is collected and interpreted (i.e. did Canadian assumptions limit the amount and type of information collected?)

-take time to understand the assumptions underlying present strategies and business policies

-encourage decision makers to voice objections or doubts and to challenge positions of other members.

-using a combination of U.S. and Canadian decision makers to manage U.S. decisions provides a variety of perspectives which encourages learning

-check and double check any assumptions they may make

-make all assumptions explicit so they are easier to challenge, test and revise

-set up feedback mechanisms to correct mistakes (an example of this was goal setting)

-review performance constantly for cues about the need to change

-question all decisions and assumptions

Based on Argyris and Schon (1978), learning is more likely to occur under conditions where error is tolerated, assumptions are testable, and key aspects of information are not missing. Thus, it is vital to identify and check the assumptions of decision makers prior to entry. Research indicated that their assumptions often seriously limited the effectiveness of entry decisions. Since assumptions are often subjective and hard to identify, it is a good idea to use an objective person from outside the decision making process to help decision makers to identify them. To facilitate this process, management consultants can be used. In particular, U.S. consultants, experienced in target retail markets can provide the information necessary to assess the U.S. market.

SECTION 4 - LIMITATIONS OF THE RESEARCH

As with any research project, the present study has its limitations. These limitations will be discussed under three major categories: 1) the field study approach; 2) the questionnaire as a measuring instrument and; 3) issues of generalizability.

1. The Field Study

The field study approach can be argued to be a very inexact one, especially with many individuals involved in such a complex decision process as the one investigated. Involved are such problems as the potential invalidity of participant recall data, and the investigator's own predispositions and biases, despite attempts to be objective. On the other hand, this study represents the analysis of the decision processes in four firms. The account given here should not be construed as a definitive statement of what other organizations might be doing, nor of what these organizations might do at a later state of development. However, some generalizations are reasonable.

In addition, multiple methods were used to obtain information, and all interviews were conducted by two investigators. The richness of data potentially provided in the interviews was thought to outweigh these other factors.

2. The Questionnaire

As with any instrument, there is always the danger that it does not perfectly measure what it intends to. This is especially true with the items used on the questionnaire that were not taken from a well-developed instrument. With both developed and undeveloped items, respondents may interpret them in a different way than the researcher and from each other.

Secondly, although the questionnaire results indicated that there were significant cultural differences between the U.S. and Canada, it is important to point out that differences between Canadians may be far greater than differences between Canadians and Americans. Similarly, parts of the U.S. are undoubtedly more like parts of Canada than other parts of the U.S. (i.e. Vermont and New Brunswick). Thus, regional differences could be more important culturally and attitudinally than the national differences between Canada and the U.S.

Moreover, even if national differences do exist between the cultures of Canada and the United States, they may not be translated into different ways of doing business in each country. Despite differences in the cultures, perhaps managers in each manage very similarly, due to exposure to the same managerial concepts and ways of doing business, which influence learning. Although the executives interviewed perceived cultural differences to affect business practices in several ways (as discussed in Chapter 9) this research cannot establish cause and effect relationships. It can only increase understanding in this area.

Furthermore, management practices, behaviors and effectiveness may be as much, or more, a function of environmental and contextual variables as they are cultural variables. Examples of such variables are size, technology, location, and economic, market and political conditions.

The concept of culture itself poses some interesting research issues. For the most part, the term culture has eluded operational definition. In the present study culture was measured using national boundaries. However, because Canada is multicultural, it may have many cultures, not just one. Studying it as one culture could conceal some potentially key differences within Canada, and reduce the meaningfulness of the results. Similarly, a 'black' subculture exists in the U.S., which is not part of the melting pot, but which has a profound influence on the U.S. market. Therefore, it is important to understand the dangers of using country as a surrogate definition of culture. However, while there clearly are subcultures within both the U.S. and Canada, the purpose of this study was to determine differences between them.

3. Issues Related to Generalizability

Finally, this research involved studying companies and executives from the retail industry. The executives interviewed were from Canadian retail companies, and the questionnaire was sent to the Chief Executive Officers of retail companies in both Canada and the U.S. As a result, the findings can technically only be generalized to the retail industry, and probably only certain sectors of the retail industry. However, when combined with the findings from the conferences, which involved companies from various industries, it appears that the conclusions are very similar.

In addition, the study focused on the experiences of four Canadian organizations in the U.S. market. This sample is small, and the representativeness of these four companies is unknown. On the other hand, the fact that there were several common themes running through all four suggests that the results are very meaningful.

This chapter has presented the major contributions of the research study, areas for future research, implications for managers and the limitations of the study. The research project represents one of the first studies examining Canadian retailers doing business in the U.S. market. It provides quantitative and qualitative evidence supporting cultural differences between Canadians and Americans. It also provides several insights into successful decision making processes for Canadian retail companies planning to enter the U.S. market. The aim of this project was to improve the effectiveness of Canadian retailers in the U.S. market, thereby increasing their chances of success. Through careful consideration of the findings from this study, this objective will hopefully be met.

Footnotes

1. When discussing the conceptual model or the results in support of this model, it should be made clear that the linkages between the constructs in the model are not intended in any way to represent causal relationships. That is, there is no intention to imply that any variable causes another, but merely that there are relationships between them.

APPENDIX 1 - INTERVIEW PROTOCOL

The following questions were concerned with the events that took place regarding the U.S. venture. The purpose was to understand the decision process and the attitude orientations of the company's management.

PRE-INTERVIEW RESEARCH:

Collected performance and background data with particular emphasis on the U.S. venture.

I. ENTRY - REASON

1. Why did the company enter the U.S.? (What was going through their minds? What initiated it? What got them thinking seriously about the U.S.?)

   - diversification
   - growth (sales, assets, etc.)
   - defensive strategy
   - offensive strategy (globalization, etc.)
   - other: ____________________

ENTRY - DECISION PROCESS

1. Who was involved (and at what points) in the process of deciding to enter the U.S.?

2. What was the structure for managing the decision process?

   - CEO decision
   - normal management group
   - special task force
   - other? ____________________

3. What type of external professional assistance was provided or sought?

   - investment banker
   - accountant
   - consultant
   - broker
   - other? ________________

   At what points was it sought?

4. What was the process for making the decision? How did it actually work?

5. a) What was the orientation of key managers regarding the U.S. market? What comparison did they make between the U.S. and Canadian markets?

   - similarities?
   - differences?

b) What assumptions did they have about the U.S. market, before doing business in it?

- Did they think that the U.S. market was the same, similar, or different than the Canadian market? In what ways?

- What were their assumptions re: American businessmen in the retail industry? What differences (if any) did they perceive would exist, from a cultural perspective (attitudes, values, behaviors)?

c) What experience did they have in the U.S.?

d) Were they in favor of going into the U.S.?

e) What were their expectations?

f) What problems did they foresee? What did they do about them?

ENTRY - INFORMATION

1. What was done in preparation for entering the U.S. market?

2. What types of research were undertaken?

3. What information sources were used prior to the decision to enter? (and what information was collected?)

- Federal Provincial Governments
- State Governments
- Trade Associations
- Market Studies
- Other? ____________________

4. What other avenues were pursued?

5. Were any particular tools techniques utilized (competitive analysis, computer models, etc.)?

6. What was the feeling about the quality and completeness of the data?

7. If this was not the first time entering the U.S. what information and/or learning from previous experiences was applicable and used?

8. How long was spent in preparation?

9. Who was assigned to this task? (What type of personnel?)

10. Were any other sources of information accessed? If so, what was learned?

ENTRY - MODE

1. What was the chosen mode of entry?

- wholly owned subsidiary (greenfield site)
- acquisition of existing operation
- majority/minority shareholder
    - number of other partners?
- joint venture (new company)
    - majority shareholder (percentage)
    - minority shareholder (percentage)
    - number of partners?
- management contract
- franchise
- license agreement
- other contracts
- other? ____________________

2. Were other modes considered? What ones? Why was the final mode chosen?

ENTRY - RESOURCES

1. What resources were committed to the start-up process?

    - money
    - management time (level)
    - other?

2. How was the start-up financed? What were the sources of capital?

ENTRY - STRATEGY

1. How did the company management's pre-entry orientation, influence its strategic decision making process?

2. What was the initial entry strategy? Why?

3. Did it incorporate any information, perceptions regarding the U.S. market?

4. Did it change over time? Why?

5. How did the strategy differ from the company's strategy in Canada?

II. THE U.S. OPERATION

1. Who staffed the U.S. operation?

    - Canadians
    - Americans
    - where did they come from?

2. Relationship with Canadian Headquarters

    - tightly controlled
    - autonomous

- reporting lines
- degree of participation in
    - strategy decisions
    - operating decisions
- difference in style/climate/ways of doing business

3. Similarities/differences with Canadian company.

III. THE U.S. MARKET

1. How would you describe the market in the U.S.?

    - demand - customers - competitors - businessmen

IV. CULTURAL DIFFERENCES

1. After doing business in the U.S. market:

    - What differences did executives see between Canadian and American retail businessmen, in their attitudes, values and business behaviors?

    - How had their perceptions changed?

    - Did these differences (if any) contribute to their success or failure in the U.S. market?

V. POST-ENTRY

RESULTS

1. What were the results?

2. Did the results meet the expectations of management?

3. Over what time horizon were the results assessed?

VI. LESSONS LEARNED

1. What did they learn from doing business in the U.S.?

    - What were the reasons for success or faiure?

2. In retrospect, what did the company do right? What were the major mistakes? What would they do differently if they were going to do it again?

3. What attitudes and values are necessary for Canadians to compete successfully in the U.S. market?

APPENDIX 2 - CONSTRUCTS WITH SELF-DEVELOPED MEASURES

A list of the constructs for which self-developed measures were used, are presented below. Each construct was described in terms of how a high scorer and a low scorer would respond. However, it should be noted that the two descriptions represent extremes. There are many positions in between these two, where the majority of people would be expected to fall. Examples of aphorisms used to measure each construct are also provided.

1. **Commitment to Winning**

A person who scored highly on this measure sees life from a win-lose perspective. He/she values winning to the point where his/her actions are driven by the need to win/succeed. A high scorer will do whatever is necessary to win. He/she is focused on results.

A low scorer does not view life from a win-lose perspective. Instead, he/she believes that value comes from playing the game. Therefore, his/her behavior is not driven to win, but is focused on how to play. He/she is interested in other factors considered more important than simply outcomes, or results.

Examples:

Winning isn't the only thing. It's everything.
It's not whether you win or lose. It's how you play the game.

2. **Mastery**

A person's score on the Mastery construct has to do with his/her view regarding the fate versus individual control of destiny debate. High scorers believe that individuals control their own destinies. Therefore, they believe in taking control of their own lives, and exercising control over the events around them.

Low scorers believe that external forces control the events around them (fate, chance, etc.). One has little or no control over his/her destiny. They hope that things will happen.

This construct can also be thought of in terms of one's locus of control. High scorers would have an internal locus of control, believing that their efforts make a difference. Low scorers would have an external locus of control, believing that other factors, beyond their control, determine their lives.

Examples:

The Lord helps those who help themselves.
Que sera sera, what will be will be.

3. **Level of Optimism**

A high scorer sees life in a positive way, and has the ability to maintain this positive outlook, in spite of the situation. Negative events are viewed in the most positive light.

A low scorer is more skeptical about life. He/she assumes the worst will happen. Positive events/happenings are viewed with the utmost skepticism.

Examples:

Every cloud has a silver lining.
If something can go wrong, it will.

4. **Action Orientation**

A high scorer can be described as having a go-getter mentality; a 'can-do' posture; decisive in nature (not a dilly-dallier); and, a high energy level. He/she has a bias to action; a belief in the timeliness of action. High scorers have a very low tolerance for procrastination.

On the other hand, low scorers put off what they can until the last possible minute. They are not quick to make decisions, or take action. They have high tolerance for procrastination.

Examples:

Why put off until tomorrow what you can do today.
Time is money.

5. **Adaptability**

An adaptive person is aware of the many different ways of doing the same thing, and his/her way is not the only way, or necessarily the best. He/she realizes the benefits and sometimes the necessity of adjusting or adapting to one's surroundings. He/she believes that people are capable of change.

A rigid person thinks that his/her way is the best way, and is not always aware that different ways exist. Therefore, he/she does not adapt to his/her surroundings. He/she is not interested in changing.

Examples:

When in Rome, do as the Romans do.
You can't teach an old dog new tricks.

6. **Hard Work**

A high scorer is someone who believes in working hard. He/she feels that putting in effort (hard work) pays off. He/she feels that anything worth having is worth working diligently for (and sometimes struggling for). He/she feels that you must work hard to get what you want (nothing comes easily). He/she is willing to sacrifice for gains. A high scorer believes in perseverence, and the 'No pain, no gain' concept.

A low scorer is unwilling to work beyond a certain point. He/she does not believe that hard work necessarily pays off. He/she wants to enjoy life, has a strong need for leisure and recreation.

Examples:

Keep your nose to the grindstone.
Take time to stop and smell the flowers.

7. **Competitiveness**

A high scorer feels that he/she must be alert at all times to get ahead. He/she is willing to act quickly and aggressively to attain what he/she wants, even at someone else's expense.

A low scorer does not feel he/she has to be alert at all times to get ahead. He/she is not willing to act quickly or aggressively to attain what he/she wants, at the expense of anyone else.

Examples:

The quick brown fox jumps over the lazy dog.
The early bird catches the worm.

8. **Conservatism**

A conservative person (high scorer) thinks through actions taken (believes one should think before one acts). He/she has a need for security, making him/her very cautious, often holding back until something is 'sure'. He/she is never hasty, and believes that thoughtful planning is prudent.

A low scorer often acts before thinking things through. He/she does not restrain him/herself. He/she is often hasty, and rarely thoughtfully plans.

Examples:

A penny saved is a penny earned. Haste makes waste.

9. **Attitudes Toward Equality**

A high scorer believes that all men are equal and should be treated equally.

A low scorer recognizes the differences in people and believes that they should be treated differently.

Examples:

All animals are equal, but some animals are more equal than others.
The cream always rises to the top.

10. Attitudes Toward Rules

A high scorer believes in the necessity or the desirability of rules and follows them without question.

A low scorer believes that rules are often inappropriate. Certain situations require behaviors inconsistent with the rules. He/she is willing to operate outside of the rules in these instances.

Examples:

Rules are made to be broken.
There's no act more moral between men than that of rule and obedience.

11. Attitudes Toward Government Authority

High scorers desire a large amount of government involvement, whereas low scorers find very little government involvement desirable. Low scorers agree with the concept of laissez-faire, and personal control. High scorers see the necessity for government leadership and control. Low scorers have little respect for, or deference to, authority. High scorers are very respectful of authority, and show deference to it.

Examples:

That government is best which governs least.
All authority belongs to the people.

APPENDIX 3 - APHORISMS USED TO MEASURE THE CONSTRUCTS

Listed below are the aphorisms used to measure each construct, along with the percentage of people who agreed that the aphorism measured the construct it was intending to.

Winning Attitude/Commitment to Winning

Winning isn't the only thing. It's everything. (100%)
The end justifies the means. (100%)
It's not whether you win or lose. It's how you play the game. (71%)
I would sooner fail than not be among the greatest. (100%)
Close only counts in horseshoes and hand grenades. (71%)

Mastery

Que sera sera, what will be will be. (100%)
The Lord helps those who help themselves. (86%)
The buck stops here. (83%)
Where there's a will, there's a way. (71%)
Life is what you make it. (71%)

Optimism

Today is the first day of the rest of your life. (100%)
Every cloud has a silver lining. (100%)
If anything can go wrong it will. (86%)
Something always turns up. (86%)
If something seems too good to be true, it probably is. (71%)
All that glitters is not gold. (100%)
One good thing leads to another. (100%)

Action Orientation

Lost time is never found again. (100%)
He who hesitates is lost. (100%)
Why put off until tomorrow what you can do today. (100%)
Time is money. (86%)
One today is worth two tomorrows. (86%)
Better a bad decision than no decision. (100%)

Adaptability

There's more than one way to skin a cat. (100%)
When in Rome, do as the Romans do. (100%)
The eagle of one house is the fool in another. (86%)
You can't teach an old dog new tricks. (86%)

Belief in Hard Work

There are no gains without pains. (100%)
Keep your nose to the grindstone. (100%)
The more you put in, the more you get out. (86%)
Take time to stop and smell the flowers. (86%)
Diligence is the mother of good luck. (86%)
If at once you don't succeed, try, try, again.
Early to bed, early to rise, makes a man healthy, wealthy, and wise. (100%)

Competitiveness

The early bird catches the worm. (86%)
The quick brown fox jumps over the lazy dog. (74%)

Conservatism

A penny saved is a penny earned. (100%)
Haste makes waste. (100%)
Distrust and caution are the parents of security. (100%)
Once bitten, twice shy. (100%)

Attitudes Toward Equality

All animals are equal, but some animals are more equal than others. (100%)
The cream always rises to the top. (74%)

Attitudes Toward Strong Government

That government is best which governs least. (100%)
Nothing shadows truth so completely as authority. (100%)
All authority belongs to the people. (100%)

Attitudes Toward Rules

Rules are made to be broken. (100%)
There is no act more moral between men than that of rule and obedience. (100%)
There's no way but the right way. (100%)
Necessity knows no law. (83%)

APPENDIX 4 - QUESTIONNAIRE

NORTH AMERICAN RETAIL PROJECT

This survey is one part of a study we are doing to better understand the attitudes and behaviors of top Canadian and American business executives. Please answer all the questions. If you wish to comment on any of the questions or qualify your answers, please feel free to use the space in the margins. Your comments will be read and taken into account.

Thank you for your help.

Please return this questionnaire to:

Shawna O'Grady
School of Business
University of Western Ontario
London, Ontario
N6A 3K7

PART I

On the following pages there is a list of statements. We are interested in how closely these statements reflect your attitudes in business situations. Please think about each statement carefully and indicate your level of agreement or disagreement with each one. There are no right or wrong answers. (Please circle one answer number for each statement.)

1.	Winning isn't the only thing. It's everything.	1	2	3	4	5
2.	The Lord helps those who help themselves.	1	2	3	4	5
3.	Today is the first day of the rest of your life.	1	2	3	4	5
4.	The eagle of one house is the fool in another.	1	2	3	4	5
5.	There are no gains without pains.	1	2	3	4	5
6.	The quick brown fox jumps over the lazy dog.	1	2	3	4	5
7.	A penny saved is a penny earned.	1	2	3	4	5
8.	All animals are equal, but some animals are more equal than others.	1	2	3	4	5
9.	That government is best which governs least.	1	2	3	4	5
10.	Rules are made to be broken.	1	2	3	4	5
11.	Time is money.	1	2	3	4	5
12.	When in Rome, do as the Romans do.	1	2	3	4	5
13.	Haste makes waste.	1	2	3	4	5
14.	The cream always rises to the top.	1	2	3	4	5
15.	Nothing shadows truth so completely as authority.	1	2	3	4	5

Please indicate your level of agreement or disagreement with the following statements:

16.	It's not whether you win or lose. It's how you play the game.	1	2	3	4	5
17.	Que sera sera, what will be will be.	1	2	3	4	5
18.	Every cloud has a silver lining.	1	2	3	4	5
19.	Lost time is never found again.	1	2	3	4	5
20.	You can't teach an old dog new tricks.	1	2	3	4	5
21.	The early bird catches the worm.	1	2	3	4	5
22.	Distrust and caution are the parents of security.	1	2	3	4	5
23.	All authority belongs to the people.	1	2	3	4	5
24.	There is no act more moral between men than that of rule and obedience.	1	2	3	4	5
25.	Why put off until tomorrow what you can do today.	1	2	3	4	5
26.	There's more than one way to skin a cat.	1	2	3	4	5
27.	The more you put in, the more you get out.	1	2	3	4	5
28.	The end justifies the means.	1	2	3	4	5
29.	If anything can go wrong it will.	1	2	3	4	5
30.	Keep your nose to the grindstone.	1	2	3	4	5
31.	Something always turns up.	1	2	3	4	5
32.	Where there's a will, there's a way.	1	2	3	4	5
33.	Take time to stop and smell the flowers.	1	2	3	4	5
34.	There's no way but the right way.	1	2	3	4	5

Please indicate your level of agreement or disagreement with the following statements:

35.	I would sooner fail than not be among the greatest.	1	2	3	4	5
36.	Once bitten, twice shy.	1	2	3	4	5
37.	He who hesitates is lost.	1	2	3	4	5
38.	The buck stops here.	1	2	3	4	5
39.	Necessity knows no law.	1	2	3	4	5
40.	He that lives on hope will die fasting.	1	2	3	4	5
41.	If something seems too good to be true, it probably is.	1	2	3	4	5
42.	Diligence is the mother of good luck.	1	2	3	4	5
43.	Life is what you make it.	1	2	3	4	5
44.	One today is worth two tomorrows.	1	2	3	4	5
45.	Close only counts in horseshoes and hand grenades.	1	2	3	4	5
46.	If at first you don't succeed, try, try again.	1	2	3	4	5
47.	Better a bad decision than no decision.	1	2	3	4	5
48.	All that glitters is not gold.	1	2	3	4	5
49.	Early to bed, early to rise makes a man healthy, wealthy, and wise.	1	2	3	4	5
50.	One good thing leads to another.	1	2	3	4	5

PART II

A person's work values can affect his or her behavior at work. The following questions have to do with some of your values concerning work. Please indicate your level of agreement by circling one number.

1.	Hard work makes a man a better person.	1	2	3	4	5
2.	Wasting time is as bad as wasting money.	1	2	3	4	5
3.	A good indication of a man's worth is how well he does his job.	1	2	3	4	5
4.	If all other things are equal, it is better to have a job with a lot of responsibility than one with little responsibility.	1	2	3	4	5
5.	When the workday is finished, a person should forget his job and enjoy himself.	1	2	3	4	5
6.	The principal purpose of a man's job is to provide him with the means for enjoying his free time.	1	2	3	4	5
7.	Wherever possible a person should relax and accept life as it is, rather than always striving for unreachable goals.	1	2	3	4	5
8.	People who "do things the easy way" are the smart ones.	1	2	3	4	5

PART III

The culture we live in can affect our business attitudes and values. The following statements are designed to tap cultural attitudes and values. Please indicate your level of agreement or disagreement with the following statements:

1.	Most people can be trusted.	1	2	3	4	5
2.	Staying with one employer for a long time is usually the best way to get ahead.	1	2	3	4	5
3.	Most organizations would be better off if conflict could be eliminated forever.	1	2	3	4	5
4.	Those who have been successful in life should help those who have been less successful.	1	2	3	4	5
5.	The main reason for having a hierarchical structure is so that everyone knows who has authority over whom.	1	2	3	4	5
6.	Decisions made by individuals are usually of higher quality than decisions made by groups.	1	2	3	4	5
7.	One can be a good manager without having precise answers to most of the questions that subordinates may raise about their work.	1	2	3	4	5
8.	Parents should stimulate their children to try to be the best in the class.	1	2	3	4	5
9.	It is desirable that management authority can be questioned.	1	2	3	4	5
10.	The employee who quietly does his or her duty is one of the greatest assets of an organization.	1	2	3	4	5
11.	An organization structure in which certain subordinates have two bosses should be avoided at all costs.	1	2	3	4	5

Please indicate your level of agreement or disagreement with the following statements:

12.	Competition between employees usually does more harm than good.	1	2	3	4	5
13.	Today there seems to be an authority crisis in organizations.	1	2	3	4	5
14.	A husband and wife should have the same opinion on major political and religious issues.	1	2	3		5
15.	In order to have efficient work relationships, it is often necessary to bypass the hierarchical lines.	1	2	3	4	5
16.	Good interpersonal relationships at work are more important than a high income.	1	2	3	4	5
17.	It is all right for young people to be critical of their teachers.	1	2	3	4	5
18.	The individual who pursues his or her own interest makes the best possible contribution to society as a whole.	1	2	3	4	5
19.	A company or organization's rules should not be broken - not even when the employee thinks it is in the company's best interest.	1	2	3	4	5
20.	When people have failed in life, it is often their own fault.	1	2	3	4	5
21.	Quite a few people have an inherent dislike of work and will avoid it if they can.	1	2	3	4	5
22.	Parents should be satisfied when their children grow up towards independence from them.	1	2	3	4	5
23.	Conflicts with our opponents are best resolved by both parties compromising a bit.	1	2	3	4	5
24.	When a man's career demands it, the family should make sacrifices.	1	2	3	4	5

PART IV

On the following pages you will find a series of statements that a person might use to describe oneself. Read each statement carefully and circle the response that you feel is <u>most</u> descriptive of yourself (True or False). Please do not omit any item even if you are not sure of your answer.

		TRUE	FALSE
1.	I enjoy difficult work.	T	F
2.	I go out of my way to prevent anyone from getting the best of me.	T	F
3.	I enjoy entertaining people of various beliefs and nationalities.	T	F
4.	Taking risks does not bother me if the gains involved are high.	T	F
5.	I seldom set standards which are difficult for me.	T	F
6.	I think that certain people deserve to be "put in their places."	T	F
7.	I think that people who readily change their beliefs just have no backbone.	T	F
8.	I would enjoy the challenge of a project that could mean either a promotion or loss of a job.	T	F
9.	I probably would not take the chance of borrowing money for a business deal even if it might be profitable.	T	F
10.	I have rarely done extra studying in connection with my work.	T	F
11.	I seldom feel like hitting anyone.	T	F
12.	The thoughts of investing in stocks excites me.	T	F
13.	Some people are just too narrow - minded to listen to the right way to live.	T	F
14.	I would work just as hard whether or not I had to earn a living.	T	F
15.	When I am irritated, I let it be known.	T	F

Please choose the most applicable response:

		TRUE	FALSE
16.	I can tell as soon as I meet someone whether I will like him or not.	T	F
17.	If I invested any money in stocks, it would probably only be in safe stocks from large, well-known companies.	T	F
18.	I do not let my work get in the way of what I really want to do.	T	F
19.	I would never start a fight with anyone.	T	F
20.	I find it refreshing to discuss my views with someone who strongly disagrees with me.	T	F
21.	If the possible reward was very high, I would not hesitate putting my money into a new business that could fail.	T	F
22.	My goal is to do at least a little bit more than anyone else has done before.	T	F
23.	I have been known to fly into a rage if things didn't go as I had planned.	T	F
24.	I enjoy working with people who use different methods of organization than I do.	T	F
25.	I would prefer a stable position with a moderate salary to one with a higher salary but less security.	T	F
26.	People seldom think of me as a hard worker.	T	F
27.	If someone does something I don't like, I seldom say anything.	T	F
28.	I rarely decide that I don't like someone after only one or two meetings with him.	T	F
29.	I don't mind working while other people are having fun.	T	F
30.	I avoid criticizing others under any circumstances.	T	F
31.	Some people have such foolish beliefs that I find it hard to understand how they can accept them.	T	F
32.	I would participate only in business undertakings that are relatively certain.	T	F

PART V

The following statements have to do with your actual behavior at work. Please indicate your level of agreement with the following statements by circling one.

1.	I usually show up for work a little early, to get things ready.	1	2	3	4	5
2.	The most important things that happen to me involve my work.	1	2	3	4	5
3.	Sometimes I lie awake at night thinking ahead to the next day's work.	1	2	3	4	5
4.	I have other activities more important than my work.	1	2	3	4	5
5.	Most things in life are more important than work.	1	2	3	4	5
6.	Quite often I feel like staying home from work instead of coming in.	1	2	3	4	5
7.	I am very much involved personally in my work.	1	2	3	4	5
8.	I live, eat, and breathe my job.	1	2	3	4	5

PART VI

1. Are you: (Please Circle One)

    1. MALE
    2. FEMALE

2. How old are you:

    1. UNDER 35
    2. 35 - 39
    3. 40 - 43
    4. 45 - 49
    5. 50 - 54
    6. 55 - 59
    7. 60 - 65
    8. OVER 65

3. How many years of formal school education did you complete? (Starting with primary school; count only the number of years each course should officially take, even if you spent less or more years on it; if you took part-time or evening courses, count the number of years the same course would have taken you had you done it on a full-time basis.)

    1. 10 YEARS OR LESS
    2. 11 YEARS
    3. 12 YEARS
    4. 13 YEARS
    5. 14 YEARS
    6. 15 YEARS
    7. 16 YEARS
    8. 17 YEARS
    9. 18 YEARS OR OVER

Is there anything else you could tell us about what you consider to be important business-related attitudes and behaviors. If so, please use this space for that purpose.

Your contribution to this effort is very greatly appreciated. If you would like a summary of the results, please print your name and address on the back of the return envelope (NOT on this questionnaire). We will see that you get it.

APPENDIX 5 - COVER LETTER

With the prospect of freer trade between Canada and the United States, the two countries may become even more interdependent. As a result, it is now becoming vitally important that we gain a more in-depth understanding of our North American trading partner.

We are engaged in a study of business relationships between Canadians and Americans, in the retail sector. You are one of a small number of successful retailers who is being asked to provide input on how you as a busir . s person think and behave. Your name was chosen from a list of the top retailers in North America. It is essential that each questionnaire be completed and returned, so that the results truly represent the thinking of top business people.

The results of this research will provide you with a deeper understanding of the U.S. and Canadian markets, which could better prepare you to compete in the 1990's. You may receive a summary of the results by writing "copy of results requested" on the back of the return envelope, and printing your name and address below it. Please do not put this information on the questionnaire itself.

You may be assured of complete confidentiality. Your name will never be placed on the questionnaire. The questionnaire has an identification number for mailing purposes only. This is so that we may check your name off the mailing list when your questionnaire is returned.

I would be very happy to answer any questions you might have. Please write or call. My telephone number is (519) 434-9675.

Thank you for your assistance.

Sincerely,

Shawna O'Grady
Project Director

APPENDIX 6 - SECOND FOLLOW-UP LETTER

About three weeks ago, I wrote to you seeking your input on your business attitudes and behaviors. As of today, we have not yet received your completed questionnaire.

We are engaged in a study of business relationships between Canadians and Americans, in the retail sector. With the prospect of freer trade between Canada and the United States, we believe it is important that we gain a more detailed understanding of our North American trading partner.

I am writing to you again because of the significance each questionnaire has to the usefulness of this study. Your name was chosen because you head one of the top retail companies in the country. In order for the results of this study to be truly representative of the top retailers in Canada and the United States, it is essential that each person return their questionnaire.

In the event that your questionnaire has been misplaced, a replacement is enclosed. If you have any other problems, please call me collect at (519) 434-9675.

Thank you very much for your cooperation.

Sincerely,

Shawna O'Grady
Project Director

APPENDIX 7 - THIRD FOLLOW-UP LETTER

I am writing to you about our study of business relationships between Canadians and Americans in the retail sector. We have not yet received your completed questionnaire.

The large number of questionnaires is very encouraging. But, whether we will be able to describe accurately how Canadians/Americans think and behave depends upon you and the others who have not yet responded.

The results of this research will provide you with a deeper understanding of the U.S. and Canadian markets, which could better prepare you to compete in the 1990's. In case our other correspondence did not reach you, a replacement questionnaire is enclosed. You may receive a summary of the results by writing "copy of results requested" on the back of the return envelope, and printing your name and address below it. Please do not put this information on the questionnaire itself.

May I urge you to complete and return the questionnaire as quickly as possible. Your contribution to the success of this study will be appreciated greatly.

Sincerely,

Shawna O'Grady
Project Director

APPENDIX 8 - CONFERENCE NOTES

NOTES FROM 32ND ANNUAL LONDON CONFERENCE

DOING BUSINESS IN THE U.S.A. --

THE OPPORTUNITY AND THE REALITY

MAY 11, 12, 13, 1988

SCHOOL OF BUSINESS ADMINISTRATION

UNIVERSITY OF WESTERN ONTARIO

PETER WIDDRINGTON, CEO JOHN LABATT LTD.

Discussed the following fundamental differences between Canada and the U.S. based on his company's experience in the U.S. market:

1. Business Climate

-much more intense level of competitive activity in U.S.

-in Canada, customers and suppliers have a tendency to build long term relationships with suppliers even with inadequacies. In the U.S., the opposite is true. If you screw up on either side (buying or selling) the relationship is finished.

-higher level of aggressiveness in U.S. Managers are far less tolerant of overhead expenses in the U.S. and act more aggressively to control them. Canadians are inclined to be a little too nice. They are perceived by Americans as not being tough enough.

2. Government Relations/Legal System

-Canadians like lots and are prepared to support lots of it. In the U.S., it's the opposite. They like little government.

-Canadians spend more money and more time on government and government relations.

-However, this is offset by the legal side of doing business in the U.S.

-Americans use the courts and the legal system way more.

-American managers have to be very aware of the legal implications of what they do. It is not this way in Canada.

-In the U.S., a lot of time and money goes into preventing companies from getting into legal matters.

3. Industrial Relations

-move in the U.S. toward decertification - no parallel in Canada.

-in negotiations in Canada, the collective agreement is taken to the membership for ratification. They sometimes turn it down which affects future negotiating behavior. In the U.S., it is uncommon for the membership to reject the collective agreement.

-on management side, risk/reward equation has higher risk element in U.S. than in Canada.

-U.S. employee wants share in company/stock options more so than in Canada

-larger turnover of management in U.S.

-safety net a lot smaller in U.S. (i.e. do not pay severance pay as in Canada)

-job mobility - in U.S., if employee wants to live in an urban setting, he/she has a lot of choice. In Canada, employees have very few choices. As a result, there is far less mobility in Canada. U.S. employees can move more easily and do so.

4. Knowledge Imbalance

-Canadians know a lot more about the U.S. than vice versa

-but, as Canadians we do not understand regional differences very well. Therefore, if you acquire a U.S. company, you have to move slowly to make sure you are not operating on assumptions that are wrong. You must do your homework - you can't go in with any assumptions.

LESSONS

1. Do not automatically transplant Canadian practices to the U.S. People are what make the difference in any business. Do not assume practices that work in Canada work in the U.S. (i.e. compensation, rationalization)

2. Focus management in the U.S. from a U.S. perspective

3. Executive interchange is a very important issue. Both sides learn a lot from this.

4. Have a well-defined business mission.

DON LOWE, PRESIDENT AND CEO, CANADAIR

Began with the following generalizations:

-Start off with the basic assumption that each market is unique and requires a different strategy

-Cannot transplant successful strategies abroad. The U.S. is no different.

-Cannot assume that the U.S. market is similar to Canada.

With respect to doing business in the U.S. versus Canada:

1. Presence is key in the U.S. market. This does necessarily mean a high profile public image, but that the seller must live, eat and breathe the market and respond to its needs. Also, recruit locally because the U.S. is not a homogeneous market. The U.S. is a series of regional markets.

2. You need determination. "The fact that the U.S. market is so large makes many think that there is room for everyone. There isn't. If you want your place in the sun, be prepared to fight for it." "We must look at the U.S. market as different and quite distinct than the Canadian scene. We must be aggressive and innovative to compete anywhere in the world, and the U.S. is no exception."

3. Use of incentives more important in the U.S. "The U.S. is a highly incentive-oriented market and we use that". We achieve our success from a very aggressive marketing group in the U.S. - a number of them make between $300,000-$500,000 per year. Their salary is between $50,000 and $70,000 and they receive a bonus on every plane they sell.

MICHAEL CORNELISSEN, PRESIDENT AND CEO, ROYAL TRUST CO. LTD.

Pointed out 6 principles for Canadian companies wanting to acquire a company in the U.S.:

1. Create a mutuality of interest. All needs of parties must be met (referring to acquisition).

2. Stick to your knitting. Don't compromise your own business principles. Management of U.S. company should share your business values. You need senior managers who passionately believe in your way of doing things.

3. To know you is to love you. Do your homework well. The most senior managers of the Canadian company should scrutinize the details because no one knows your business as well as they do.

4. Honey makes a better flytrap. Understand why the company that you're interested in acquiring wants to sell. Friendliness may mean hidden problems.

5. Don't bet the farm. Don't underestimate the time involved. You will need to deploy 2-3 senior managers for about 18 months. Make sure they understand the seriousness of the transaction. Commit them to deal by the compensation system but give them a stake so they don't want to bet the whole farm.

6. Caveat lawyers investment bankers. Never let them take control of the deal. You may need them, but be wary. Take one of your Canadian lawyers alongside to deal with them. Management must always retain control of the deal. They must know all the facts, and not rely on others to tell them.

COLIN WATSON, PRESIDENT AND CEO, ROGER'S CABLESYSTEMS INC.

-Go in ahead of time and identify local people to support you and identify a law firm to be able to contact.

-Americans much more litigious - can and do get sued for anything and everything - no manager sleeps when even a frivolous lawsuit comes in.

-legal system is very different in U.S. In U.S. plan every action to avoid lawsuits.

-get actively involved in the politics that affect your business

DICK HUNTER, CEO, SCOTT'S CHICKEN

Discussed the lessons learned from doing business in the U.S.:

1. Cannot transplant a successful Canadian retail concept and expect it to automatically "click" in the U.S. The markets are very different.

2. Acquisition of proven concepts is less risky than start-ups.

3. There is generally a positive attitude toward Canadian ownership.

4. U.S. management and U.S.-based management is mandatory

5. Don't try to re-invent the wheel; avoid "the way we do it in Canada" methodology.

6. Government interference in the U.S. is minimal.

7. Intense competition in the U.S. is a way of life, a mindset. The level of competition in the U.S. is deeper, broader in all market segments. The strong survive. Management is focused on putting others out of business, to eliminate competition. It's all out war. Develop that mindset.

8. Employee attitudes are different. They are short term oriented. It is hard to develop a family mindset in the U.S. management attitudes more polarized and short term in nature in the U.S. Propensity to run with new concepts and then correct mistakes or drop them later. Bandwagon mentality - not cautious like Canadians.

9. U.S. is not a homogeneous market. There are big regional differences. U.S. consumer is more sensitive to economic conditions than Canadian. Must understand each region you are going into.

10. U.S. employees less unionized. Work ethic varies by geographic location. Far tougher attitude toward employees in the U.S. - militaristic attitude - far greater discipline.

11. Canadians do not have the prejudices Americans do. They can better cope with minorities.

MICHAEL BREGMAN, CHAIRMAN AND CEO, MM MUFFINS

-Malls very different in the U.S. than in Canada. In Canada, they are relatively homogeneous. In the U.S. there are malls you would not shop in. Other malls do not have enough traffic. In Canada, it is very clear. If you get a store in a mall, you do well. Not so in the U.S. Therefore, the location problem is very difficult in the U.S.

-In the U.S., shaking hands on a deal is not enough. In Canada, it is. In the U.S. you must sign. Business practices are different in the U.S.

-In the U.S., you deal with people who deal with superlatives. Everything is the biggest, the best and the most affluent. Everyone says this about their mall. You must get used to this.

-People are somewhat more aggressive.

-Very litigious legal system in U.S.

-U.S. market is very different. Should get U.S. employees because they understand the market and can concentrate on running the business. Otherwise, you have to learn the rules while you're trying to compete and while the others know the rules.

-Faster paced market in the U.S., tougher, more aggressive.

-Try to look at things with an American perspective.

NOTES FROM TORONTO CONFERENCE

SELLING INTO THE U.S. MARKET

JUNE 13, 1988, INN ON THE PARK

SPONSORED BY AMERICAN EXPRESS CANADA, INC.

AND CANADIAN BUSINESS MAGAZINE

The following is a summary of the speakers' comments on selling into the U.S. market:

SOL DUTKA, CEO AND FOUNDER, AUDITS AND SURVEYS INC., NEW YORK CITY

-Develop a detailed marketing plan before you start. Don't just try to get a piece of a big market.

-Make sure that management is committed to staying in U.S. - to do what is necessary.

-Concentrate on market segment you can manage - learn about it, manage it and then increase.

-Get the specialized talents you need.

-Put in your top people, not someone you can't find a job for.

-Don't assume you can transport the Canadian marketing strategy - the culture makes a difference.

-Don't fail to back up your product with service. In a country which demands personalization, it needs it.

ROGER MILLER, MANAGING DIRECTOR, SALOMON BROTHERS, INC., NEW YORK CITY

-Develop a market niche for U.S. - You can't hope to service the entire U.S. market. This is different than in Canada. We don't know how to develop a market niche well in Canada.

DAVID BLOOM, CHAIRMAN AND CEO, IMASCO DRUG RETAILING GROUP

1. Acquire an established company.

2. Ensure that you buy knowledge base and experience.

3. Hire the best to run the U.S. operation.

4. Gather information, know customers, markets. Keep on top of consumer reserch. Otherwise don't get involved.

5. Know what business you're in.

6. Know your American consumer. RESEARCH! Rethink marketing plans. There are many trends and segments in the U.S. never experienced before.

7. Do not suffer from Canadian inferiority complex. Canadians can hold their own in the U.S.

8. Deliver what the U.S. consumer wants.

9. Do upfront analysis. There are regional variations not found in Canada. "Even within Florida, there are six different markets with different demographics, psychographics, etc."

10. "You have to use a rifle rather than a shotgun." Go in in an area you can do well in. You do not have to be everywhere to start.

JAMES BULLOCK, PRESIDENT AND CEO, THE CADILLAC FAIRVIEW CORPORATION LIMITED

-much more competitive in U.S. than Canada

-in Canada, malls dominate; in the U.S., there are more options.

-market much more price sensitive in U.S.

-Canadian management not deep enough to go into U.S.

-cannot transport Canadian ways to U.S. - very different culture and set of values.

-cannot expect to be highly profitable in first 2-3 years in U.S.

-you are up against people as smart as you and who have intuition on dealing with their own market.

-need people who understand the market community you're in.

MORIS SAFFER, CHAIRMAN SAFFER ADVERTISING, INC., DON MILLS, ONTARIO

1. Comparison of retail sales in key Canadian and U.S. cities - bigger markets closer when you look South versus East or West.

2. Canadian retailers not market-driven enough. Lack of competition in Canada has given them a false sense of competence. There is no fourth largest chain of anything ... certainly not like the depth of competition in the U.S.

3. "Regional Relationship Retailing" is essential to success in Canada. but even more so in the States. Customers can only be loyal to a relationship. And, building and maintaining relationships is a lot more work - but necessary. Can fail quickly in U.S. if you do not have the Right Relationship with the Right Customer. Canadians don't protect their customer base in the U.S.

4. Retailers must be customer-driven offering rewards for the relationship that provokes a response from the customer. (The three r's of retail). Putting the customer first is not a Canadian skill.

5. Major difference in U.S. is vast differences in marketing strategy from market to market. Also, if you're unsuccessful in one market in the U.S. it doesn't balance out with success in others. In Canada, being unsuccessful in one market doesn't ruin you.

6. The management of market share is as essential as sales results in U.S. as competition never sleeps ... and there are lots of them. Nobody in the U.S. controls a market. Every customer can be taken away from you. In Canada, there is much less competition so this is less of a risk. Not trained to think of market share in Canada.

7. Cannot buy your way into U.S. market. Must understand customers.

8. Must figure out what you must do before you go in - who your customers are, what your strategy will be, etc. It's too late once you get down there.

9. Never rest, never relax, know your customers, be prepared to devote your best people to the U.S. The U.S. is not a branch operation.

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